EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,896 Monday July 17 1989 D 8523A

FRANCE
In need of a winning mixture
Page 20

World News

Unrest grows in Soviet pits as 100,000 miners strike

More than 100,000 Soviet coal miners are now reported on strike in the Kuznetsk coalfield in Siberia, with indications that unrest in the pits could spread to the neighbouring field of Achinsk-Kansk. Page 22

Von Karajan dies
Austrian conductor Herbert von Karajan, one of the dominant figures in the post-war world of classical music, died aged 81 at his home in Anif, near Salzburg. Obituary, Page 19

Afghan supplies
US intends to increase military supplies to the Afghan resistance in response to airlifts of Soviet arms to the Kabul Government. Page 22

Soviet sub fire
Soviet nuclear-powered attack submarine was reported ablaze in the Barents Sea, off northern Norway. Page 3

Lebanese killings
Nine more Lebanese died in shelling during a Moslem holiday in Beirut. Page 4

Belgium-Zaire ties
Belgium has normalised relations with Zaire after a nine-month row, and announced a new debt relief package for its former colony. Page 4

Panamanian talks
Panamanian Government, army and opposition are to begin negotiations to find a solution to the country's political crisis. Page 3

Gandhi visit
Rajiv Gandhi, Indian Prime Minister, has arrived in Islamabad on the first bilateral visit by an Indian Premier to Pakistan in 30 years. Page 4

Peking clampdown
Peking's media clampdown has spread to Hong Kong with the dismissal of the editor-in-chief of a pro-communist newspaper after a row over editorial policy. Page 4

Nicaraguan dialogue
Dialogue between the Nicaraguan Government and opposition parties is to be renewed after a meeting between Nicaragua's President Daniel Ortega and his Costa Rican counterpart. Page 3

S African fears
Fears have grown in South Africa among radical blacks that their authority could be undermined by the expected release later this year of Nelson Mandela. Page 4

Israeli peace plan
Yitzhak Shamir, Israeli Prime Minister, restated his commitment to a peace plan for the occupied territories in a bid to resolve a coalition split over the proposals. Page 3

Somali order
Somali President Mohamed Siad Barre has ordered the army to stop random firing after clashes in Mogadishu that killed 23 people.

Philippines typhoon
Typhoon Gordon swept across the northern Philippines, killing at least five people and wrecking dozens of homes in floods and landslides.

UK security search
Police hunting a security guard who disappeared after collecting £1.56m in cash from Heathrow Airport, near London, found his abandoned van.

Sri Lankan stoning
Mourners hurled stones at Sri Lankan President Ranasinghe Premadasa when he arrived in Trincomalee to pay tribute to two killed Tamil leaders.

Cabinet quits
The Colombian Cabinet resigned for the second time this year.

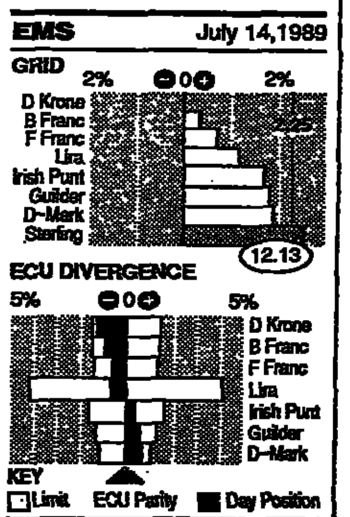
Jewish protest
Group of US Jews staged protests at the former Nazi death camp of Auschwitz against the presence of a Roman Catholic nunnery on the site.

Business Summary

Benckiser buys Camp of Spain for Pta33bn

Benckiser, West German detergents group, has bought 100 per cent of Camp, Spain's biggest privately owned detergent producer, for some Pta33bn ($283m) in a lightning bid which upset an attempt by Procter & Gamble of the US to buy the Spanish company. Page 22

EUROPEAN Monetary System: The Spanish peseta remained firmer last week, prompting the Bank of Spain to sell pesetas against the D-Mark. The latter finished on a weaker note against the dollar as the US unit improved, in spite of signs that the economy may be slowing. The Danish krone remained the weakest member of the system, but continued to trade comfortably within its European currency unit divergence limit.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

CHINA is considering reducing its imports from US, France and Australia as a way of punishing them for hardline protests about China's crackdown on dissent. Page 22

PRUDENTIAL-Bache, US securities group, dropped plans to takeover Thomson McKinnon after finding balance sheet problems at the stock brokerage firm which suffered in 1987 crash. Page 27

COFFEE prices which fell after breakdown of International Coffee Agreement this month could bankrupt one of the European Community's key institutions. Page 22

CADBURY Schweppes, Britain's largest confectionery and soft drinks group, may be subject of takeover bid following wild share speculation. Page 23

OLYMPIA & York Developments, privately-held Canadian property company, has raised its takeover bid for BCE Development $593.2m. Page 27

NATIONAL Telecommunications, UK communications group, saw profits fall from £4.6m to £4.2m despite turnover almost doubling. Page 24

JOHN Hanemann, chairman of New York's Commodity Exchange (Comex) resigned in a move that surprised traders. Page 27

SOUTHMARK, major Texas financial services and real estate group with debts of more than $3bn, has filed for protection under Chapter 11 of the US bankruptcy code. Page 27

HISPANIA, Spain's largest privately-owned charter airline, based in Palma, Majorca, ceased trading in a dispute over the payment of bills. Page 8

MOTOROLA, US electronics group, reported a solid rise in second-quarter earnings to $154m and said it was poised to expand its presence globally. Page 27

AIM Group, UK manufacturer of aircraft interiors and equipment, boosted pre-tax profits 26 per cent to £7.2m. Page 24

BRITISH retail sales returned to a slower growth path last month after rebounding in May. Page 6

SOUTH African efforts to reschedule $7.5bn owed to foreign banks are being opposed by the African National Congress (ANC) and anti-apartheid groups. Page 4

Paris marks Group of Seven's political maturity

THE summit of the seven richest industrialised countries has finally completed its transformation: what started out 14 years ago as a strictly economic policy conclave has become the highest political forum of the Western world.

In their political and economic declarations, the Group of Seven leaders:

● Urged continued efforts to keep inflation under control;
● Called for reductions in budget deficits in the US, Canada and Italy, and policies that will encourage non-inflationary growth of domestic demand in Japan and Germany;
● Supported the multilateral surveillance and co-ordination of economic policies;
● Reaffirmed their determination to fight protectionism;
● Urged a strengthened debt strategy, and asked banks to take realistic and constructive approaches in their negotiations with debtor countries;
● Welcomed the process of reform under way in Poland and Hungary, announced a package of aid and called for a meeting with all interested countries;
● Issued a declaration on human rights;
● Reaffirmed their opposition to terrorism, and endorsed plans to tighten aircraft security;
● Agreed to set up a financial task-force to track down the laundering of money from the illicit drugs trade;
● Endorsed the sanctions taken against the Chinese Government in the wake of its repression of student demonstrations;
● Asked the OECD to examine how environmental indicators could be developed;
● Recommended economic incentives to help developing countries take environmentally desirable action;
● Advocated common efforts to limit emissions of carbon dioxide and other greenhouse gases, and called for a framework convention on climate change.

Soviet President Mikhail Gorbachev made a surprise intervention, with a proposal for closer economic policy co-ordination between East and West.

Highest political forum comes of age; Summit reports, Page 2.

Summit ends with environment pledge

By Peter Norman in Paris

THE WORLD'S leading industrial countries yesterday pledged to work together to preserve the global environment and agreed to promote the development and integration of Third World nations into the world economy.

As this year's economic summit meeting ended earlier than expected in an welter of self congratulation and compliments for its host, President François Mitterrand, the leaders of the seven major industrial countries endorsed existing policies to maintain economic growth.

Mrs Margaret Thatcher, Britain's Prime Minister praised the summit as fully worthwhile. She denied reports that she had felt snubbed by President Mitterrand.

At the summit, Mrs Thatcher was unable to obtain all her goals, failing in particular to have the combat of inflation singled out as the world's main economic priority. At a briefing, she effectively admitted that Britain had made mistakes in allowing inflation to rise to its present 8.3 per cent, by pointing out that countries with sound policies did not suffer high inflation. In response to questions, Mrs Thatcher said she had no plans for an early Cabinet reshuffle.

The leaders of the US, Japan, West Germany, France, Britain, Italy and Canada, together with the president of the European Community Commission, threw their weight behind the debt reduction plan for middle income debtor nations first proposed by Mr Nicholas Brady, the US Treasury Secretary.

They also agreed to set up a "financial action task force" to attack the laundering of illicit profits from the drug trade. President George Bush said that the drug question was – with the environment – the issue that prompted "most fervour" among the leaders.

While noting that the industrial world has enjoyed one of the longest periods of sustained growth since the Second World War, the leaders warned of risks to the economic outlook.

The statement also stressed the need to achieve further progress in adjusting the large imbalances between the US current account deficit and the Japanese and West German surpluses.

But the summit document was notable for its extensive coverage of environmental issues which took up about one third of the text.

Mr Bush said the summit marked a "watershed" in dealing with the environment. He said further steps on environmental issues would be taken at next year's summit.

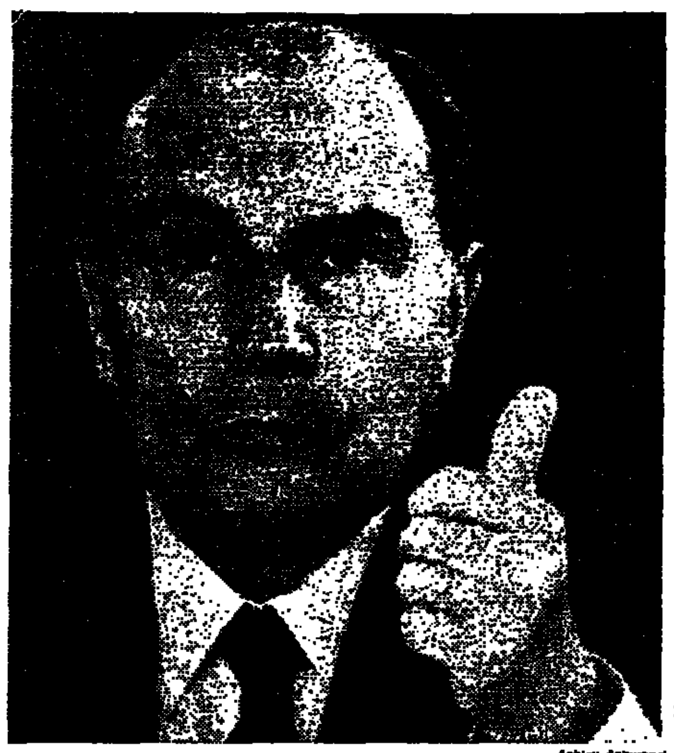
Mr Brian Mulroney, the Canadian Prime Minister, said the talks were remarkable for the urgency with which environmental issues were discussed.

He said that some leaders appeared more interested in measures that protected the environment than those affecting their economies.

Mr Jacques Delors, the EC Commission president, said there was now a global awareness that the relationship between humanity and nature must change radically.

Environmental considerations should be taken into account in economic decision making. "In fact good economic policies and good envi-

Continued on Page 22



Ashley Ashwood

François Mitterrand: compliments to the summit host

Letter from Gorbachev is gently rebuffed

By Peter Riddell in Paris

THE LEADERS of the seven leading industrial democracies yesterday gently rebuffed a Soviet approach to participate in the Western economic system as they agreed a far-reaching package to assist economic and political reforms in Poland and Hungary.

Poland has, for the first time, been given potential access to help under the US-inspired Brady plan to reduce the debts of Third World countries. This could be worth billions of dollars.

The rapid pace of change in parts of Eastern Europe dominated the political side of the summit. In a significant new development, the leaders agreed to give the European Commission a coordinating role in helping to concert efforts of "interested" countries. A meeting will take place in the next few weeks to bring these countries together, the first time that there has been a formal follow-up to a summit decision.

This will consider a range of issues affecting support for Hungary and Poland, including the urgent need for food in Poland - the latter initiative being suggested by Mrs Margaret Thatcher, the British Prime Minister.

Mr Jacques Delors, Commission president, said that Poland needed steady food supplies over a two-year period, not simply food aid, because the country was not in a condition to to produce enough food itself or to transport it towards consumer centres.

The communique on the last day stressed that economic assistance to Eastern Europe would be aimed at reinforcing recent political changes and at transforming and opening up their economies.

The debate was, however, changed by the unexpected arrival of a letter from President Mikhail Gorbachev to President Francois Mitterrand, the summit host. Mr Gorbachev called for global co-operation in economic matters.

He proposed the co-ordination of macro-economic policy and argued that perestroika was inseparable from full and complete participation in the world economy.

Mr Gorbachev's appeal for integration with the rest of the world is a break from previous Soviet economic isolation and is linked to an interest in being associated with the International Monetary Fund and World Bank.

President George Bush described this approach and a suggestion that Mr Gorbachev might attend the next annual summit as a "little premature." Mr Bush, as well as Mrs Thatcher, said that a lot had to happen in the Soviet Union before that matter could be considered since the summit was a meeting of free market economies.

He said the initial reaction of the leaders to the letter was "what do you think he means by that?"

Mr Bush also speculated on the timing since earlier receipt would have given "more time for consideration."

Mr Bush, however, found the fact of the letter "fascinating" and "one more manifestation of the changes through which we're living."

Mr Bush was last night clearly elated by his success in achieving his summit aims, notably international acceptance of his approach to Poland and Hungary. This was closely coordinated with West Germany.

AT&T switches $850m Italian holding from Olivetti to CIR

By John Wyles in Milan

AMERICAN TELEPHONE and Telegraph (AT&T) and Mr Carlo De Benedetti, the Italian businessman, are recasting their business relationship in a deal which aims finally to retire the six-year-old "global alliance" between the US telecommunications group and Olivetti, the Italian office equipment concern.

AT&T has liquidated its 22.35 per cent stake in Olivetti for $850m and transferred the investment to CIR, Mr De Benedetti's industrial holding company, which has interests ranging from control of Olivetti itself to car components and publishing.

The deal is the solution which Mr De Benedetti and Mr Robert Allen, president of AT&T, have identified for ending an alliance which they now admit failed to live up to both parties' expectations.

The agreement on a new relationship – defined by one Italian wag as "AT&T divorcing the daughter to marry the mother" – is also to be the occasion for major capital raising operations for both Olivetti and CIR.

As explained by Mr De Benedetti and Mr Allen at a joint press conference in Milan on Saturday, AT&T's hitherto industrial investment in Olivetti is to be transformed into a financial holding in CIR by selling its 100m Olivetti shares to CIR for L1,140bn ($835m).

This yields a price of L11,400 per share, or a premium of 14 per cent on Olivetti's closing price on Friday, and delivers a $560m profit on AT&T's initial 1983 investment of $260m.

At the same time, CIR is to issue new capital for L1,450bn of which L1,150bn will be reserved for AT&T, half in ordinary shares and half in non-convertible savings shares.

The US company will pay L12,500 for each coupling of one ordinary and one savings share – a premium over current market prices of 31.5 per cent which values CIR at about L6,400bn.

As a result of these operations, CIR's holding in Olivetti will rise to about 40 per cent, while AT&T will be the second shareholder in CIR, with 18 per cent. The largest will remain Mr De Benedetti's personal investment company, Cofide, whose stake will fall from 48 to 35-36 per cent.

Both Olivetti and CIR's future development will be aided by capital strengthening operations later in the year.

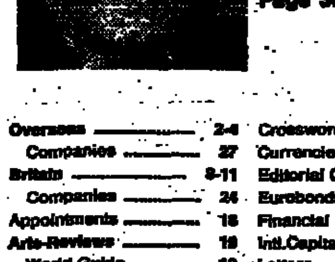
Olivetti is set to raise up to L1,280bn, including L454.1bn through a rights issue of 54.7m ordinary shares at a price of L8,300 on a one-for-10 basis.

At CIR, in addition to the share issue to AT&T, there will be a one-for-nine ordinary issue to all existing shareholders at L5,090 per share to raise L178bn. A further L122.6bn is be raised through two different types of warrants linked to a six-year bond issue. AT&T's stake in CIR will fall to about 16.5 per cent if it does not subscribe to the new capital issues.

Background: Page 27

CONTENTS

THE MONDAY INTERVIEW



No other European has ever reached such a senior position in IBM as Mr Kaspar Cassani, who has just retired as joint vice-chairman of the board of directors.
Page 38

Argentina's Economy Minister to continue reforms

By Gary Mead in Buenos Aires

ARGENTINA'S new Economy Minister, Mr Nestor Rapanelli, was formally sworn in on Saturday, after the death of Mr Miguel Roig on Friday.

Mr Roig had been in the post for only six days when he died of a heart attack. He was 67.

Mr Rapanelli, 60, vowed to go ahead with the austerity measures announced last week. These are aimed at combating monthly inflation running at more than 200 per cent and involve increases of up to 600 per cent on all public sector tariffs, including petrol and other forms of energy.

Mr Rapanelli announced at the weekend that he hoped to reach a three-month-long "understanding" on prices today with leading companies, and that 10 basic food items would have fixed maximum prices. In return he has agreed not to raise public sector tariffs or to alter exchange rate policy for the same period.

Mr Menem, who took over as President six months early, surprised the country on June 16 by announcing the appointment of Mr Roig on a television chat show. Mr Roig's death came at a crucial moment in the development of the emergency economic plan, of which he was the key architect.

Mr Menem gave the job to Mr Roig after advice from Mr Jorge Triaca, who is now Labour Minister. Mr Roig, who was not a member of any political party, had made it clear that he had not voted in the May election for Mr Menem.

He is keen to achieve a social pact between trade unions and employers, and Mr Roig was regarded as important in persuading both domestic voters and foreign observers that the Menem Administration was seriously-minded.

Mr Menem's commitment to reaching agreement with big business on how to tackle Argentina's economic crisis was confirmed by his swift appointment of Mr Rapanelli, a vice president of the multinational group Bunge and Born, one of the world's largest grain trading corporations.

As part of his economic plan, Mr Roig had been trying to persuade some 200 "price-forming" companies to accept a price freeze, retroactive to early July, in the hope of stemming inflation. During the first two weeks of this month, basic food items doubled and in some cases tripled in price.

Highest political forum of the Western world comes of age

Ian Davidson hails a gathering which has grown from economic conclave to showpiece of the Group of Seven industrialised countries

WITH the major precedent of their declaration on policy towards Eastern Europe, and the surprise intervention of a letter from Mr Mikhail Gorbachev, the summit of the seven richest industrialised countries has finally completed its transformation: What started out 14 years ago as a strictly economic policy conclave has now become the highest political forum of the Western world.

At the same time, the summit has laid down new benchmarks of political showmanship and media hype. On this occasion, the public hoopla has been the direct consequence of holding the meeting at the same time as France's bicentennial celebrations. But it is impossible now to imagine that future summits will ever revert to the model of discretion which marked the beginning of the series 14 years ago.

The principal innovation of the declaration on East-West relations is that the leading Western governments have at last decided they can and must co-ordinate their actions, so as to help Eastern European countries travel the difficult road of political and economic reform.

But almost as important is the fact that the institution chosen to handle this policy co-ordination is the Commission of the European Community. The US administration of Mr George Bush might have preferred to assert its role as leader of the Western world, but it has tacitly conceded that the leadership of Western policy towards Eastern Europe belongs naturally in Western Europe.

Only one flaw has spoiled an otherwise harmonious occasion: the undiplomatic war of words between Britain and France. Neither government has emerged with any credit from this unaccountable quarrel over which country has done most or least for human rights; but Mrs Thatcher's unenviable reputation in France has undoubtedly been further damaged by her sneers at the Bicentenary and what it stands for.

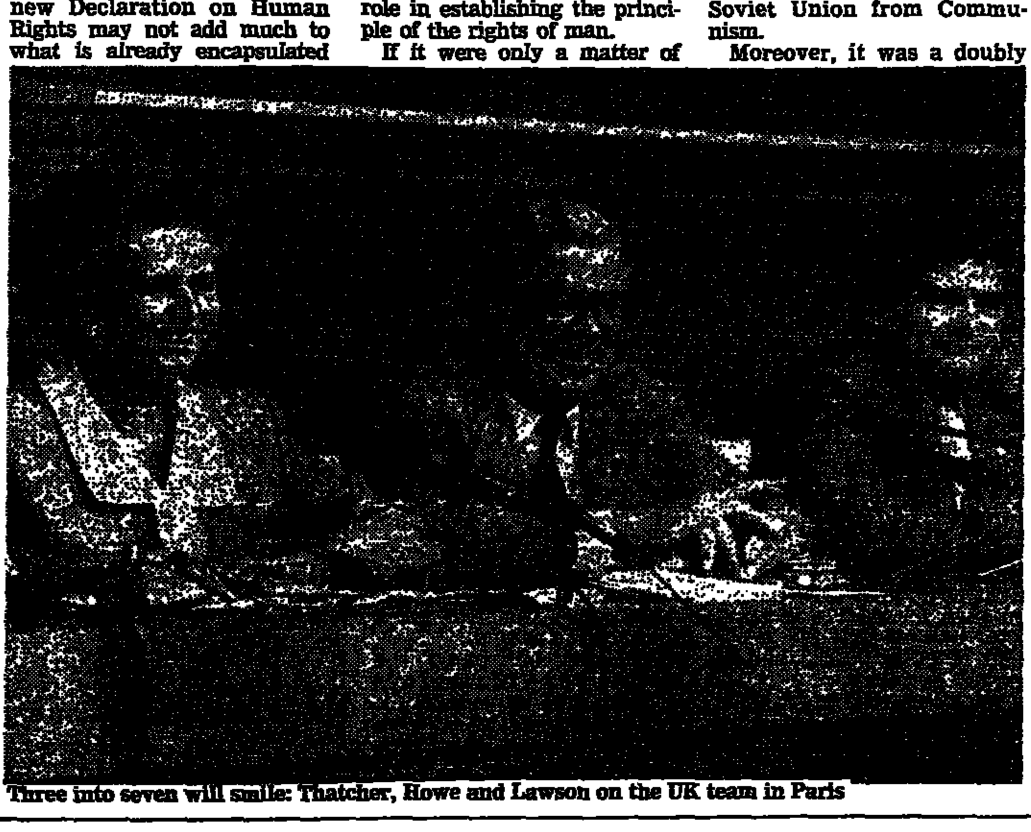
The adoption by the seven-nation summit of a "Declaration on Human Rights" is obviously in part a polite and pious gesture towards President Mitterrand, France, and the Bicentenary: the Rights of Man are the favourite part of the French Revolution for those who do not like revolutions. But it is also a important and relevant political statement in the context of the "revolutionary" changes under way in Eastern Europe.

Fifteen years ago, in the Helsinki negotiations with the Soviet Union, Western governments struggled to assert the principles of human rights. In return for a moral truce over the physical division of Europe by the Soviet Union, they succeeded in extracting Russian lip-service to the idea of human rights; the West had little hope that it would make much difference to Soviet practice, but at least it would be an entrenched bargaining lever against the authoritarian régimes in the East.

Today, all of a sudden, the Gorbachev régime has conceded the fundamental rightness of the principles that the West upholds; these are the principles underlying perestroika, glasnost, and the emerging democracy of Poland and Hungary.

All of a sudden, the West has become the arbiter of the reforms in the Soviet Union and in Eastern Europe. The new Declaration on Human Rights may not add much to what is already encapsulated in previous declarations, but it is the direct complement of the emerging Western policy of co-ordinated help for Eastern Europe.

All of which makes unusually puzzling Mrs Margaret Thatcher's gratuitous attack, in two French interviews on the eve of the summit, contesting the French claim that France has played a unique role in establishing the principle of the rights of man.



Three into seven will smile: Thatcher, Howe and Lawson on the UK team in Paris

If it were only a matter of historical fact, Mrs Thatcher has been well briefed: of course, the notion of individual rights goes back a couple of thousand years at least, and received its modern European expression long before the French Revolution. But the main issue, in 1989, is not whether the French Revolution was a good thing, but how to rescue Eastern Europe and the Soviet Union from Communism.

Moreover, it was a doubly curious decision of Mrs Thatcher to attack France's human rights record, just before a meeting at which Britain hoped to mobilise other governments to help protect the human rights of the people of Hong Kong. In the event, the summit declaration on China fell a good way short of any explicit commitment to provide asylum for people from Hong Kong, but it did recognise that the "international community" ought to support Hong Kong.

What is not in question is that with every succeeding year, the annual summit meeting of the Group of Seven has become a bigger and bigger circus. The first such meeting was held 14 years ago at Rambouillet, in the wake of the first oil price explosion.

At the instigation of French President Valéry Giscard d'Estaing, a handful of Western leaders wanted a discreet and private fireside chat, to work out a response to the international economic crisis. They were equally anxious not to attract too much public attention. Political issues were not on the agenda.

This year, the so-called Economic Summit was chosen to inaugurate the spectacular Arche de la Défense, with every encouragement for maximum publicity. Advance billing suggested that the summit would produce little of importance; yet over 6,000 journalists came to throng the unceasing round of national briefings.

In response to this demand, the meeting quickly produced a handful of ringing declarations on a range of political issues. The leaders evidently found almost nothing new to say to each other on the subject of the management of the world economy.

Inevitably, this has been Mitterrand's summit. As host, the French president has obviously had a psychological advantage over the other six western leaders, and his advantage has been enormously magnified by the Bicentenary celebrations of the French Revolution.

Of course, the specifics of the Bicentenary have been controversial; a revolution would not be a revolution without controversy, and in France it would be unthinkable not to have one.

The outsize architectural monuments inaugurated these past few days, from the Opéra-Bastille in the East to the Pyramide du Louvre in the centre and the colossal hollow cube of the Arche de la Défense in the west, have provoked as much debate as admiration.

The theatrical media events staged to commemorate the Revolution, from the recumbent ladies reciting the Declaration of the Rights of Man, to the jokey parade staged on the Champs-Elysées by Jean-Paul Goude, have been much dissected.

What no one denies is that the buildings and the events have been constructed on a grand scale, and may reinforce President Mitterrand's aspiration to claim for France a certain rank in the world.

Moreover, he has stamped his personality and his priorities on the political events of the past week in a way which rather sandbags the criticisms of his carping adversaries.

He has not got everything he wanted out of the summit, not by a long chalk; the idea of a North-South summit, proposed by four leading developing countries and supported in principle by the French president, was stifled by the combined opposition of President Bush and Mrs Thatcher. But the exchange has made Britain and America seem small and mean-minded, leaving France in the grateful role of the friend of the down-trodden.

But the most striking element in the East-West Declaration, and no doubt the least welcome to Mrs Thatcher, is the central role assigned to the Commission of the European Community.

When the Economic Summits started, the French violently opposed the presence of the Commission; but now the wheel has turned full circle.

President Bush would no doubt prefer to shift American leadership from the military arm of Nato to the political dimension of the Atlantic Alliance, but the Americans are forced to accept that the European Community has acquired the political mass which makes it the unavoidable vehicle for Western policy towards Eastern Europe.

Mrs Thatcher has been forced to accept that Western Europe's strategy towards the East will be masterminded by her dear adversary, Mr Jacques Delors, president of the Commission, a Socialist and a Frenchman to boot. It must be too much.

Seven show differences over policy priorities

By Peter Norman, Economics Editor

THE economic summit meeting in Paris marks a shift of gear in economic policy co-ordination among the seven leading industrialised countries.

Gone are the days of focusing on a single issue such as reducing the value of the dollar after the September 1985 Plaza agreement or maintaining stable currencies as in the Louvre Accord of February 1987.

Instead, the final communiqué recognises what has become increasingly clear at successive international gatherings over the past 12 months: that the seven – the US, Japan, West Germany, France, Britain, Italy and Canada – have differing policy priorities.

This approach represented something of a setback to the British Government. For largely domestic political reasons, Britain wanted the economic declaration of the seven to make clear that inflation was, in the words of one official, "public enemy number one". In that way, the government could have explained Britain's high 8.3 per cent rate of inflation as part of a world phenomenon.

However, while inflation was listed in the final summit statement as first among the risks to the world economy, other countries made clear that it was not the prime issue of concern for them.

Mr Toyo Gyohten, Japan's Vice-Minister for Finance, responsible for international affairs, said that his country's top priority was to maintain domestic, demand-led growth, albeit on a non-inflationary basis. Mr Michael Wilson, Canadian Finance Minister, said that, while all had to be vigilant about inflation, only Britain, Italy and Canada had to give top priority to combating it.

International economic co-operation

Mr Pierre Bérégovoy, French Finance Minister, said that, although a consensus existed that it was important to fight inflation, the summit countries had to do everything possible to avoid recession.

Symbolic of this more subtle approach to the world economic developments was the decision of the seven to omit any specific commitment to keeping currencies stable, and to mention no policy goals concerning the dollar.

The statement merely recalled that there had been continued co-operation in exchange markets, and that policy co-ordination had made a positive contribution to world economic development and the functioning of the international monetary system.

"It is important to continue and, where appropriate, to develop this co-operative and flexible approach to improve the functioning and the stability of the international monetary system," the statement said.

As expected, French plans to move to a system of greater currency stability among the seven were not accepted by the other summit countries. The leaders only asked the finance ministers "to keep under review steps that could be taken to improve the co-ordination process, exchange market co-operation, and the functioning of the international monetary system".

Mr Nigel Lawson, UK Chancellor of the Exchequer, explained that the lack of any clear statement on currencies reflected the absence of central bankers from the meetings – this distinguished the meetings of finance ministers in Paris from the G7 meetings held each spring and autumn at the time of the International Monetary Fund gatherings.

The vague text adopted in Paris also reflected the difficulties experienced among the seven in keeping currencies stable in recent months while the dollar has been strong.

The Paris statement also reflected the fact that the main backers of currency stability among the seven – Mr James Baker of the US, Mr Gerhard Stoltenberg of West Germany and Mr Kiichi Miyazawa of Japan – no longer occupy finance ministries.

Early flight from fleshpots

By Philip Stephens, Political Editor

WE CAN all sleep soundly again. Fresh and clear-headed after their bicentenary celebrations, the non-communist world's most powerful leaders have cast their gaze across the world's problems – and, of course, solved them.

So dedicated and determined were they that they managed to finish early, sparing themselves yet another gruelling afternoon of the unforced smiles and co-operative spirit that enveloped their gathering.

No-one could begrudge them a respite after a weekend of such momentous achievements, finally packaged neatly in one of the finest examples yet of the art form created by 15 years of summitry – five separate texts.

Nor could one quarrel with President François Mitterrand's typically modest assessment that the summit had

Sketch

been the most successful since the French had invented them 15 years ago at Rambouillet.

Mrs Margaret Thatcher, anxious to voice her gratitude to the French president for his gracious efforts to consign her to the back row of world politics, could not recall a meeting "in which the spirit had been better". She had received "90 per cent cheers to only 1 or 2 per cent boos and hisses" – a much better record that at home.

So the prime minister was obviously mystified by President George Bush's earlier attempt at gallantry, when he was heard to remark that she had been "shabbily treated".

There could be no question about the summit's accomplishments.

The leaders, those all-important texts told us, had agreed that "we remain resolutely opposed to terrorism in all its forms".

Mindful of the historic timing of their deliberations they had also framed a new declaration of universal values. Human rights, we can be assured, "are a matter of legitimate international concern".

Thanks, we were told, to the drafting skills of a British official, the poor can also take comfort. It is not poverty, but only "extreme poverty", that violates the dignity of man.

East-West relations were never far from the leaders' minds, even before they read President Mikhail Gorbachev's application to join future festivities of the kind.

Appropriately enough they were half-way through a meal of stuffed lobster and lamb, and sipping a modest Château Montrose 1918, when they agreed that now was the time to get rid of the remains of the European Community's stale butter and meat surpluses. What could be better than to send it to Poland, demonstrating once again the generous nature of the system that the Polish people are valiantly trying to emulate?

Then there is the global environment. We could tell the leaders were taking it seriously, the White House said, because it accounted for a full third of the main summit text.

Moscow seeks interdependence with West

SOVIET President Mikhail Gorbachev made a surprise intervention in the Paris summit, with a proposal from Moscow for closer economic policy co-ordination between East and West, Ian Davidson reports.

In a letter addressed to President François Mitterrand, as host and chairman of the seven-nation economic summit, Mr Gorbachev urged the case for economic interdependence between East and West.

The sentiments expressed in the letter were warmly received by the summit participants, but it will elicit no direct policy response from the Western leaders. Mr Mitterrand will reply to the letter, in his capacity as summit chairman, in generally positive terms.

While the Western leaders welcome all signs of Soviet interest in economic rapprochement with their countries, there seems little prospect that this interest can bear fruit until the Soviet economy has been transformed and Soviet society and the Soviet political system have made more progress.

Mr Gorbachev's letter called for a strengthening of multilateral co-operation between East and West.

He added that the Soviet Union was ready for a constructive dialogue with the West on economic questions. "Our perestroika is inseparable from a policy leading to the full and complete participation [of the Soviet Union] in the world economy."

Letter from Gorbachev

The Soviet president said that the rest of the world could not fail to benefit from the opening of the Soviet economy to the rest of the world.

In the letter, he wrote that there was a large area of common interest, as was made evident by the positive improvements in bilateral links with the Soviet Union, by the understandings reached in Vienna in context of the "second basket" of the Helsinki agreement, and in the establishment of links between Comecon and the European Community.

The Soviet leader also claimed that there was a convergence of interest in the search for solutions to global problems, such as Third World debt and aid for developing countries.

Mr Gorbachev concluded by expressing the desire for a constructive dialogue, free of ideological prejudice, which might start by the establishment of professional contacts between government experts. He hoped his thoughts would be useful for the participants at the Paris summit.

Helping hands reach eastwards

Peter Riddell assesses hard-currency aid to Poland and Hungary

REFORM in eastern Europe is now firmly and formally on the international agenda.

Thanks to delicate footwork at the weekend by the US and West Germany, not only was Poland given a big boost in resolving its debt problems but, unexpectedly, the European Commission, for the first time and to its delight, has a formal role in following up an annual summit's decisions.

Before the summit, President George Bush had written to other leaders seeking a commitment to work in a concerted way. This was repeated in a cruder form during his visits last week to Poland and Hungary, when US officials specifically urged other countries to match the private sector enterprise funds launched by the US.

On Thursday and Friday, there was some irritation among other summit participants – notably France, West Germany and Britain, all with close recent contacts and announced programmes of assistance – at the impression that somehow the US had "discovered" Poland and Hungary.

But this turned out to be irrelevant; the main US aim was to secure agreement on concerted efforts and on alleviating Poland's debt problems. The problem was how. The idea of involving the Commission came from Chancellor Helmut Kohl of West Germany, with discussions between West German and US officials.

So when, during the first plenary session, Mr Bush raised the issue of further work on eastern Europe, Mr Kohl intervened to urge a meeting convened by the EC within weeks.

The US readily agreed, with Britain acquiescing.

The communiqué welcomed "reform under way in Poland and Hungary. Each of us is prepared to support this pro-

East/West relations

cess and to consider, as appropriate and in a co-ordinated fashion, economic assistance aimed at transforming and opening their economies in a durable manner.

"We believe that each of us should direct our assistance to these countries so as to sustain the momentum of reform through inward investment, joint ventures, transfers of managerial skills, professional training and other ventures which would develop a more competitive economy.

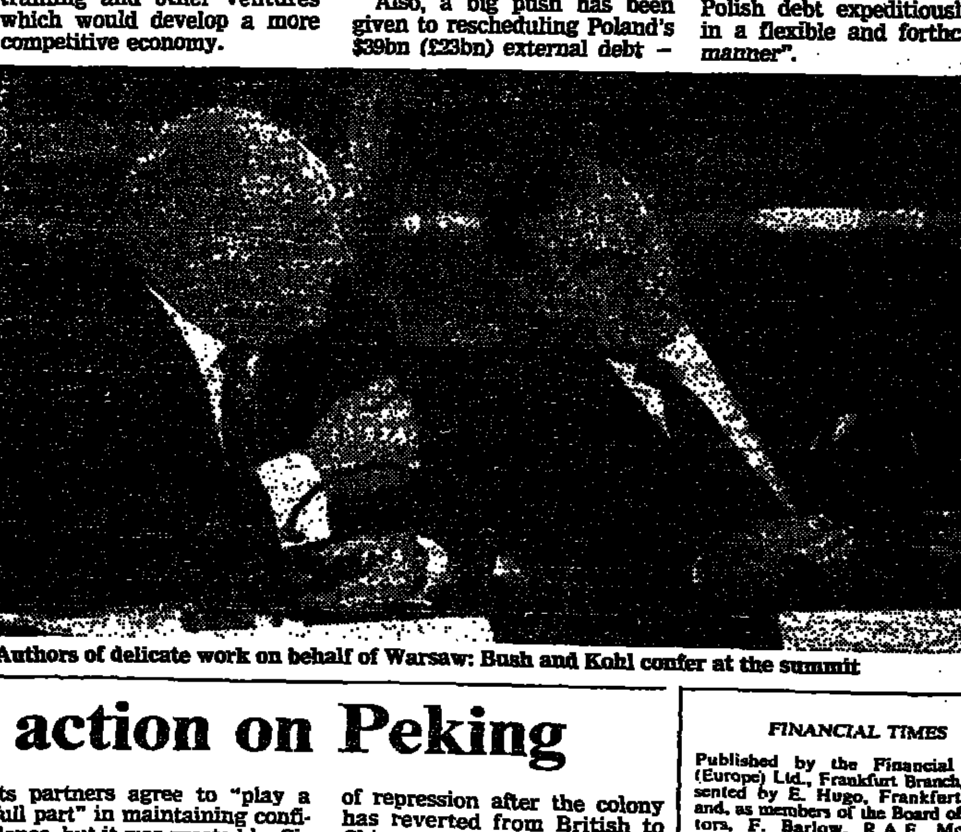
"We agreed to work with other interested countries and multilateral institutions" to harmonise support for reform in Hungary and Poland, so as to make "our measures of support more effective and mutually reinforcing. We call for a meeting with all interested countries, which will take place in the next few weeks. We underline, for Poland, the urgent need for food.

"To these ends, we ask the Commission of the European Community to take the necessary initiatives in agreement with the other member states of the Community, and to associate, besides the summit participants, all interested countries."

Also, a big push has been given to rescheduling Poland's $39bn (£23bn) external debt – with, in particular, acceptance that this can go ahead via no more than a Polish application to the International Monetary Fund, rather than a firm agreement by Warsaw with the IMF.

In a new development, Poland will qualify for help under the Brady debt-reduction plan, but only after agreement with the IMF. This could release substantial funds.

The communiqué stated: "We are in favour of an early conclusion of the negotiations between the IMF and Poland. The strengthened debt strategy is applicable to Poland, provided it meets the conditions. We are ready to support, in the Paris Club, the rescheduling of Polish debt expeditiously and in a flexible and forthcoming manner".



Authors of delicate work on behalf of Warsaw: Bush and Kohl confer at the summit

Airport security initiative

By George Graham

THE SUMMIT leaders reaffirmed their opposition to terrorism, and endorsed plans to tighten security against the sabotage of aircraft.

The seven agreed to give priority to strengthening security measures so as to stop bomb attacks like that on a Pan Am aircraft blown up over Lockerbie in Scotland last December, killing 270 people.

They called for the implementation of the airport security recently adopted by the International Civil Aviation Organisation Conference, and

Terrorism

backed ICAO efforts to develop international rules for marking plastic and sheet explosives to make them more easily detectable, "as a matter of high priority"..

The measures to mark plastic and sheet explosives are aimed at enabling airport detection of explosives such as Semtex and C-4, which can be easily concealed in electronic apparatus such as radios and which give off little of the vapour which can be detected by sniffer machines.

The summit declaration also contained a particular condemnation of hostage-taking. "We call on those holding hostages to release them immediately and unconditionally, and on those with influence over hostage-takers to use it to this end," it added.

Task force to hunt drug money laundering

By George Graham

THE seven leading industrialised countries have agreed to set up a financial task force to track down the laundering of money from the illicit drugs trade, estimated at more than $300bn (£186bn) a year.

The task force is to work with international organisations and governments not involved in the summit to study the extent of such laundering and to consider the changes in law that might be needed to prevent it.

"We must seize the routes by which drug money circulates," said Mr Pierre Bérégovoy, French Finance Minister.

The efforts to clamp down on the laundering are also expected to have repercussions on attempts by the European Community to prevent tax fraud.

The summit leaders called for urgent measures to stop drug plant cultivation, by helping producer countries to convert to other crops; to strengthen the role of the UN in the war against drug abuse by giving it more resources; and to accelerate the ratification of the Vienna Convention on illicit traffic in narcotic drugs and psychotropic substances.

"The drug problem has reached devastating proportions. We stress the urgent need for decisive action, both on a national and an international basis," the summit declaration said.

The seven leaders were particularly worried by the rapid spread of crack, a cocaine derivative believed to become addictive in three cases out of four after only three doses, compared with more than a year for pure cocaine or five months for heroin.

They backed an international conference, for next year, on reduction of demand for cocaine and other drugs. This has been called by the UK to find ways to tackle the crack

Drugs

problem.

The task force on money laundering is expected to bring together high-level financial experts with the International Monetary Fund, the Bank for International Settlements and the Organisation for Economic Co-operation and Development.

"It is not a problem of the police or customs; it's a banking problem," said one official.

Finance ministers want to track down the main money-laundering circuits, including businesses with heavy cash receipts such as football clubs and cinemas.

Mr Jacques Delors, President of the European Commission, who also took part in the summit, added that the task force could go further in finding ways to control the flows of money in the black economy. "We see this as a means to resolve our own problems, notably the fight against tax evasion," he said, noting that the EC would seek, in coming months, to draw up a common supervisory system for controlling money laundering.

No further action on Peking

WESTERN leaders have endorsed the sanctions taken against the Chinese Government in the wake of its repression last month of student demonstrations in Peking but have decided to take no further action against the People's Republic, writes Philip Stephens.

The communiqué agreed by the seven summit leaders at the weekend said they also recognise that the "continuing support of the international community" will be important in the maintenance of confidence in Hong Kong. That fell short of Britain's request that its partners agree to "play a full part" in maintaining confidence, but it was greeted by Sir Geoffrey Howe, British Foreign

China

Secretary, as an important step towards international recognition of the colony's vulnerability.

He has faced pressure in the UK Parliament to seek an international agreement to provide a "safety net" for the people of Hong Kong, in the event of repression after the colony has reverted from British to Chinese rule in 1997.

The summit communiqué noted that each of the seven governments has suspended ministerial contacts with Peking and has halted arms sales. The leaders were also agreed on the recent decision by the World Bank to postpone consideration of further loans to China.

The document left open the possibility, however, that each member of the seven may decide when it might re-establish contacts with the Peking authorities.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

OVERSEAS NEWS

Baker plays down US differences with Israel

By Lionel Barber in Washington and Peter Riddell in Paris

MR JAMES BAKER, US Secretary of State, yesterday played down differences with the Israeli government over its peace proposals for the Middle East.

"We have been reassured by the government of Israel that it stands four-square behind its original election proposal," said Mr Baker, referring to Israel Prime Minister Mr Yitzhak Shamir's plan to hold Palestinian elections in the occupied territories.

After the Likud Party insisted on tight conditions for the conduct of the elections, Mr Baker said he would send an envoy to Israel to see if the government's plans had altered. But late last week President George Bush said this visit would not go ahead at present because of reassurances that Israel's policy was unchanged.

Mr Baker said over the weekend, however, that the US might still send an emissary.

He said the US had been "thinking about sending someone because we were genuinely concerned that the Israeli government was to some extent devaluing its own election proposal – something we have worked very hard to implement. But in the interim the government of Israel had made it quite clear that they are totally committed to the election proposal.

"The National Unity Government is sorting out whatever differences they had. So we're quite satisfied now that they are prepared, ready, willing and able to continue to push this proposal."

Mr Baker added that there would be continuing talks with Israel and "I foresee clearly that we will be talking to them in quite some details about this election proposal. Whether that's done in the Middle East or whether it's done in Washington or whether it's done through ambassadors, it will be done."

He said the US would send an emissary when "we think it is necessary to address this question about whether there's any real doubt about their commitment to their own election proposal. Right now we're satisfied."

At the summit of the seven leading industrial democracies in Paris, foreign ministers backed an international conference on the Middle East, though with reservations expressed by the US.

The foreign ministers said Israeli proposals for elections in the occupied territories were "a step forward towards mutual recognition of these problems, provided elections take place under acceptable conditions", according to Mr Roland Dumas, the French Foreign Minister.

Mr Dumas added that the summit participants agreed that an international conference should be held in an appropriate framework. However, the US made clear its view that, while not opposed to a conference as such, it did not regard such a meeting as appropriate at present.

Talks to begin on Panama's political crisis

By Tim Coone in Managua

FOR the first time since Panama's elections were annulled last May, the government, army and opposition are to begin negotiations to find a solution to the country's lingering political crisis. The first talks were due to begin yesterday evening.

An agreement for the tripartite meeting was worked out over the weekend through the mediation of a delegation of the Organisation of American States (OAS). Dr Ricardo Arias, one of the leaders of the Adoc opposition alliance, told the Financial Times: "We have agreed to talk and we understand through the OAS that the government has also agreed. There are no preconditions and there are no exclusions to the discussions. There will be an open agenda."

The tripartite talks will include the presidential and vice-presidential candidates for Adoc, their counterparts for the government-controlled Colina alliance, and representatives of the government itself, "with active participation by the Panamanian Defence Forces", said Dr Arias.

The presidential and National Assembly elections were annulled on May 11, after the government attempted to falsify the results. On election day, polling station returns gave a landslide victory to Adoc, with a consistent 40-point margin over Colina. The official results however, which were never made complete, gave the victory to Colina.

Dr Arias said Adoc would continue to insist on the removal of Panama's strongman, General Manuel Antonio Noriega, from the Panamanian Defence Forces (PDF), and on a recognition of the Adoc victory in the May polls as a basis for a solution to the crisis. "These are not pre-conditions for the talks but will be issues raised during their course," he said.

This last-minute arrangement will enable the OAS delegation to report back progress in the Panamanian crisis to a General Assembly meeting of the organisation scheduled for July 19 at its Washington headquarters.

There were fears that failure by the OAS mission to break the impasse might heighten the possibility of a military confrontation between the PDF and US forces based in Panama. The US government has not ruled out use of military force to unseat Gen Noriega, who would face drug-trafficking charges in two US federal courts if he were extradited.

US troop and armour reinforcements were sent to Panama shortly after the elections. In recent weeks the war of nerves has been stepped up, to the point that US armoured convoys have been driven past Gen Noriega's headquarters and US helicopters have flown over them.

Under the 1977 Panama Canal Treaty, the US will hand over control of the waterway to Panama in 1999, but until then US forces are free to move where they wish in Panama when on manoeuvres related to the defence of the canal.

Various diplomatic moves have been made in the past week related to the Panamanian crisis, notably talks between President Carlos Andrés Pérez of Venezuela and President Daniel Ortega of Nicaragua, and a meeting between Gen Noriega and Dr Sergio Ramirez, the Nicaraguan vice-president. Cuba and Nicaragua are the only countries continuing to give diplomatic support to Gen Noriega.

No details of the meetings have been released but it is thought that Mr Pérez has attempted to persuade Nicaragua to drop its support in the light of the recent executions of four senior Cuban military officers who were convicted of drug trafficking, and who had links to the Panamanian military.

Shamir reaffirmation of peace plan fails to satisfy Labour

By Hugh Carnegy in Jerusalem

MR YITZHAK Shamir, the Israeli Prime Minister, restated his commitment to the government's peace plan for the occupied territories at yesterday's cabinet meeting, in a bid to resolve a coalition split over the proposals, but failed to satisfy Mr Shimon Peres, the Labour Party leader.

Labour last week threatened to pull out of the coalition after Mr Shamir accepted hardline conditions limiting the peace initiative, insisted upon by the right wing of his Likud Party. The initiative proposes elections in the West Bank and Gaza Strip to establish interim Palestinian self-rule, followed by negotiations on a final settlement.

Yesterday's cabinet meeting was the first since the Labour threat. It was preceded by announcements that Mr Shamir and Mr Moshe Arens, his Foreign Minister, had separately met unidentified Palestinians from the territories, something Labour was concerned had been precluded by the Likud conditions.

Mr Shamir tried to bridge the gap at the cabinet meeting in a reply to a deliberately planted question from Mr Arye Deri of the Shas religious party. The prime minister's spokesman said his answer contained a "formal and categorical" reaffirmation of the peace plan as adopted by the government in May.

But Mr Peres objected, saying he wanted a formal vote by the cabinet that would remove any contradiction by the Likud conditions. Labour believes the peace plan was fatally undermined by these conditions, which include ruling out starting any peace process before the Palestinian uprising in the territories is crushed.

Mr Shamir's spokesman said efforts would now be made to find a formula to satisfy all parties. He said this would take a week or two, but he continued to expect a solution.

The problem for Mr Shamir is to satisfy Labour without causing a renewed eruption within Likud. He wanted to avoid a vote on the issue because he and Likud ministers are formally bound by party resolution to abide by the party's conditions. Mr David Levy, the Housing Minister and a leader of the Likud rebels, warned yesterday that they would not accept "some sort of exercises" aimed at skirting round the Likud conditions.

● Mr Yossi Ben-Aharon, director of Mr Shamir's office, told Reuters yesterday the US dialogue with the Palestine Liberation Organisation and the Isreali peace plan were "mutually exclusive". He said the US's insistence on talking to the PLO created "formidable obstacles for us".

Ortega prepared to discuss elections with Nicaragua opposition

By Tim Coone

A DIALOGUE between the Nicaraguan government and opposition parties is to be renewed following a weekend meeting between Nicaragua's President Daniel Ortega and his Costa Rican counterpart, Dr Oscar Arias.

Dr Arias, a prime mover of the Central American peace process, immediately described the move as "a very positive step".

Mr Ortega has agreed to reopen multilateral talks with those parties which have undertaken to participate in next February's general elections, to discuss opposition demands regarding the organisation of the electoral process.

Mr Alfredo Cesar, a leader of the opposition Social Democrat Party (PSD) and former Contra leader, has been insisting on the need for a "national dialogue" since his return to Nicaragua from exile last month. The PSD forms part of a block of 14 opposition parties that last week formally announced their intention to participate in the elections.

The block includes the right-wing parties which abstained in the 1984 elections. The ruling Sandinista party won those elections with 67 per cent of the vote, while voting abstentions amounted to 25 per cent.

The government has however ruled out the possibility of modifications to the Supreme Electoral Council, or reforms to the electoral law, insisting that opposition demands will be dealt with within the framework of the existing law.

The electoral law underwent substantial reforms earlier this year following the Central American presidential summit in El Salvador last February, at which Mr Ortega promised democratic reforms in return for a commitment by the other presidents to seek a demobilisation of the US-backed Contras based in Honduras.

The Contras however have since been beefed up with a new "humanitarian aid" package from the US Congress, and have recently begun stepping up their actions inside Nicaragua, despite protests from the opposition parties and Mr Cesar himself that further military activity will undermine the electoral process.

The demobilisation of the Contras is expected to be the main theme of the next regional summit, at Tela in Honduras early next month.

Soviet nuclear sub 'ablaze'

By Karen Fossli in Oslo

A SOVIET nuclear Alpha class attack submarine yesterday appeared to have caught fire 80 miles off Norway's northern coast, Norwegian officals said last night.

Mr Thorvald Stoltenberg, Norway's Foreign Minister, called in the Soviet ambassador, who denied there was a submarine in distress. However, Norwegian television reported that officials from a Soviet rescue centre said a naval exercise was being held.

This is the third incident since April involving Soviet nuclear submarines off Norway. In April a Mike class nuclear submarine caught fire and sank, claiming 42 lives. On June 11 an Echo-II class nuclear submarine caught fire; no deaths were reported.

This comes at a time when Norway is in the midst of drafting a proposal to present to the Soviet Union concerning the implementation of a reciprocal warning system during times of air or sea incidents in and around the air space or waters of either country.

The Norwegians said their proposal would be similar to existing agreements between the Soviet Union and five other western countries.

Kabul appeals for US backing

AFGHAN President Najibullah yesterday appealed to US President George Bush to put pressure on Pakistan to halt its "aggression and interference" in Afghanistan, Reuter reports from Kabul.

He accused Pakistan of being behind recent rocket and bomb attacks in Kabul and urged the US to rein back its ally.

In a message to Mr Bush, the Afghan leader said: "The situation in and around Afghanistan has become critical."

He accused Pakistan of colluding with Moslem guerrillas to launch terrorist attacks on Kabul.

Fiat complaint against FT rejected

AN INVESTIGATING magistrate in Milan has rejected a complaint from Fiat that the Financial Times and its Milan correspondent, Mr Alan Friedman, had criminally defamed the company in an article published on November 11 1987.

The magistrate, Dr Paolo Arbasino, concluded that Mr Friedman had "correctly exercised the right of reporting".

Fiat denied the account in the article – "Telit saga offers a glimpse of the Byzantine world of politics" – of a meeting between Mr Gianni Agnelli, chairman of the company, and Mr Ciriaco De Mita, then secretary of the Christian Democrat Party. Fiat's denial was reported in the article.

In his judgment, the magistrate rejected the defence's argument that the Italian courts had no jurisdiction; the magistrate said that since the newspaper was distributed in Italy, the alleged offence was committed on Italian territory.

The magistrate also turned down the defence's contention that the complaint could not be allowed because it had been brought by Mr Cesare Romiti, managing director of Fiat, and not by Mr Agnelli. The magistrate said the article referred to Mr Agnelli in his capacity as chairman of Fiat and it was legitimate that the person called upon to represent the company – Mr Romiti – should bring the complaint.

In concluding that Mr Friedman correctly exercised the right of reporting, the magistrate referred to the principle, in cases of potentially defamatory statements, that the information must be kept within the limits of what is objective, impartial and presented in a correct fashion. "In this case, the journalist did respect these limits." Mr Friedman, the magistrate said, restricted himself to reporting the information he had acquired and the denial by Fiat, so that the reader could make a comprehensive evaluation of the facts shown.

Peking dismisses editor of Hong Kong newspaper

By Michael Marray in Hong Kong

PEKING'S clampdown on the media spread to Hong Kong over the weekend, as the editor-in-chief of a traditionally pro-communist newspaper was dismissed after a row about editorial policy.

Mr Lee Tze-Chung was sacked by an official of the Xinhua news agency, Peking's de facto embassy in Hong Kong, which controls appointments to the board of the Wen Wei Po newspaper on behalf of the major shareholder, a newspaper in Shanghai. Under the leadership of Mr Lee, a veteran Hong Kong journalist who supported Mao Zedong through the pages of the newspaper during the cultural revolution, Wen Wei Po ran articles in support of the students during May, and after June 4 bitterly denounced the suppression of the democracy movement.

Other left-wing newspapers in Hong Kong, notably the Ta Kung Pao, have since returned to positions supportive of Peking, but with Mr Lee in control the Wen Wei Po, which with a circulation of around 100,000 daily is a small but influential local newspaper, has continued to criticise the regime severely.

Matters came to a head at the end of last week, when Mr Lee himself dismissed Mr Chen Bojian, a deputy director of the Wen Wei Po and a former senior Xinhua official, after a row about the contents of the paper. Xinhua officials then intervened, calling the dismissal illegal, and themselves sacked Mr Lee.

The wave of support from the Hong Kong people for the students in China, both during the period of heady optimism of May, and after June 4 as revulsion set in at the bloody crackdown on dissent, saw the Chinese Communist Party come under fire from many old allies in Hong Kong. During one march, people cheered loudly as staff of the Ta Kung Pao waved pro-student banners from their office building, while one Xinhua employee, who has since fled to the UK, publicly denounced the Peking regime at a mass rally.

Peking officials have promised there will be no retaliation against local people or Hong Kong-based sympathisers who took part in the pro-democracy demonstrations. In a speech in Hong Kong 10 days ago, Mr Xu Jiatun, director of the Hong Kong branch of Xinhua, said many Hong Kong compatriots had expressed opinions with good intentions, but had at times misunderstood the situation because they did not know the full facts.

● In Peking, officials seized all foreign newspapers and magazines in raids on newsstands and hotels. Shopkeepers have been told the sale of foreign news publications will be banned indefinitely.

Campaign over S African debt

By Michael Holman
Africa Editor

THE African National Congress (ANC) and representatives of anti-apartheid groups from Europe and the US met in London at the weekend to prepare an international campaign to oppose efforts by South Africa to reschedule $7.5bn owed to foreign commercial banks.

The London meeting, the first of its kind, is expected to draw up proposals ranging from threatening consumer boycotts of banks which agree to reschedule, to lobbying the US congress and putting the issue on the agenda at the Commonwealth conference next October.

Delegates believe that without such a campaign, a rescheduling agreement could be in place by the end of this year. They argue that the recent visit to Europe by Mr F W de Klerk, South Africa's president-in-waiting, and increased speculation about the release of Mr Nelson Mandela, are part of Pretoria's efforts to improve its standing abroad, and thus improve the prospects for a favourable rescheduling, rather than the prelude to fundamental political change at home.

South Africa's external debt difficulties go back to mid-1985, when the country's political crisis prompted foreign banks to call in the $15bn outstanding loans. An estimated 260 banks were affected, with 30 banks accounting for 70 per cent of the debt.

South Africa negotiated two interim rescheduling agreements in 1986 and 1987. The latter expires in June 1990, and in recent months Pretoria has been stepping up efforts to renegotiate its debts on as favourable terms as possible.

One important feature of the second interim agreement was the so-called "exit clause", under which short-term debt covered by the standstill can be converted into 10-year loans, which become due for repayment between 1993 and 1997.

Banks have so far exchanged some $3.5bn of loans for special exit securities, almost 25 per cent of the debt falling within the interim arrangements.

But at least $7.5bn of South African debt has to be renegotiated by mid-1990. The ANC campaign is expected to urge banks to call for repayment as it falls due, to refuse new loans to South Africa, and to make no further use of the "exit clause" provision.

This action, says the ANC, would precipitate a debt crisis for South Africa, and add to pressure for change on Pretoria.

Privately, delegates to the London meeting acknowledge such radical action from the banks is improbable. But they plan to try to make them a target of consumer action.

Blacks unconvinced by 'negotiation'

Anthony Robinson on the changing climate of S African politics

NEGOTIATION has suddenly become the buzz-word of South African politics – and the confusion, verging on panic on the extremes of left and right of the political spectrum, is a wonder to behold.

The initial reaction of the so-called black "mass democratic movement" to the recent historic Tuynhuys meeting between President P W Botha and Mr Nelson Mandela was fear that the ageing black nationalist leader had been manipulated by the cunning Nationalist government. Right-wing whites screamed betrayal of the white man.

Given the country's violent and tragic history, the stunned reaction to the sudden prospect of a new era of negotiation politics could hardly be otherwise, especially to those whose entire experience has been in the politics of protest.

For nearly 50 years successive leaders of the African National Congress pleaded humbly and in vain for white politicians to heed their prayers and redress the suffering and humiliation of the unenfranchised black majority.

In 1960 the government of Dr Hendrik Verwoerd, the archpriest of grand apartheid, banned the ANC and its rival Pan African Congress, in the wake of the Sharpeville police massacre of peaceful protestors against the pass laws. In despair as much as anger the "young turks" of the time, men like Nelson Mandela, Oliver Tambo and Walter Sisulu, fled abroad to pick up the rudiments of guerrilla warfare. They sought foreign support, obtained arms from those willing to oblige – mainly the Soviet bloc – and returned to prepare an armed struggle to topple the white regime.

The National Party which held power in 1960 is still in charge today – even though half of Afrikanerdom no longer supports it, and the "post-apartheid" generation, led by Mr F W de Klerk, which now leads it has given up the dream of permanent white domination.

Its new slogan is "power sharing without domination". The trouble is that many of those who run the black trade unions, the black community organisations, the churches and the other organisations of the "mass democratic movement" simply do not believe in the sincerity of the National Party conversion.

As the Rev Frank Chikane, general secretary of the South African Council of Churches, told the annual conference of the Cosatu trade union federation last week: "Fundamentally they [the government] have no intention of changing their policies. Their strategy for negotiating peace is to exchange one form of apartheid for another."

Such words fall on receptive ears. Over the last five years nearly 5,000 blacks have died in political violence.

More than 30,000 have been detained under the annually renewed state of emergency laws, accompanied by the effective banning of dozens of black political organisations and severe restrictions on press freedom and other civil liberties.

Today all but a handful of the 30,000 detainees are now back in circulation, despite government fears of a "revolutionary climate" bubbling just under the surface. The press has learnt to live with the curbs and is still infinitely more outspoken than in the neighbouring black one-party states.

The police and army are maintaining a lower profile in the townships and around 70 per cent of white voters are likely to endorse an attempt to get black-white power-sharing negotiations off the ground after the September 6 elections.

Provided the Namibian independence and Angolan peace processes remain on track foreign governments, including several African governments, are likely to cheer on such negotiations from afar.

The unprecedented meeting between President Botha and Mr Mandela has suddenly made the prospect of such talks more tangible and more immediate.

Such a meeting has been urged for years by people like Mrs Helen Suzman, the veteran civil rights campaigner, who argued that the government should release and negotiate with men of the older generation. These are likely to be wiser and more moderate than the new generation of township "young lions" hardened by repression and township violence, many of whom are only half-educated after years of inferior "Bantu education".

After 27 years in jail Mr Mandela's current views are a mystery. But his willingness to meet Mr Botha and publicly commit himself to working for a peaceful solution to South Africa's problems appears to strengthen the hand of those who argue that Mr Mandela could play a crucial role in the key initial stages of negotiation, by coming out of jail and issuing the sort of call for calm and reconciliation which transformed Mr Jomo Kenyatta, the late Kenyan leader, from the white settlers' bogeyman to national hero.

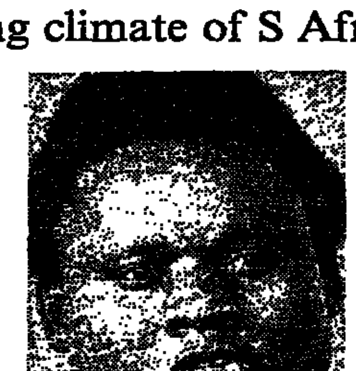
The trouble is that an orderly, negotiated transition towards a non-racial, multi-party, democratic society with a mixed economy is viewed with suspicion if not horror by many on the far right and left of South Africa's polarised society.

The potential for violence is considerable. On the one hand, the black "young lions" are itching for a violent, revolutionary seizure of power. On the other are the armed racist fanatics of the Afrikaner Weerstandsbeweging (AWB) and their secret supporters in the security forces and the civil service.

Past experience has shown it is not difficult to spark off township riots or raise tension by their bloody repression. It will require strong leadership by responsible black and white leaders to manage the inevitable fears and tensions which will accompany negotiations.

The unanswered question at this stage is whether Mr Mandela, a historic leader of the ANC, a prince of the pre-colonial black aristocracy, and jailed symbol of defiance for 27 years, is ready and able to take over such a leadership responsibility on his now virtually inevitable release after the elections.

And if he does, will he be able to impose his will on those of the "mass democratic movement" who still want a revolutionary solution?



Rev Frank Chikane: 'apartheid will continue'

Nine killed in Beirut as attacks are stepped up

By Lara Marlowe
in West Beirut

NINE more Lebanese people died in shelling during the four-day holiday for the Moslem Feast of the Sacrifice, the Eid al-Adha, in Beirut.

The deaths bring the total casualties since Gen Michel Aoun began his "war of liberation" in March to 418 dead and 1,673 wounded.

Police in Beirut estimated that 1,500 shells were fired during the night from Saturday to Sunday. The barrage, the most intense in two months, began when Syrian artillery fired on two ships trying to enter the Christian port of Byblos.

Diplomats had expected Gen Aoun to step up hostilities during the Group of Seven summit meeting in Paris, which ended yesterday, in an effort to draw world attention back to Lebanon.

However, the only allusion to Lebanon during the summit was an appeal for the release of all hostages.

Meanwhile, the Electricité du Liban company ran out of fuel to generate electricity and operate water pumping stations in Beirut. Many homes in the west of the city have been without electricity or water since the middle of last week and the shortage is expected to last until the scheduled arrival of a tanker on July 20. Gen Aoun is reported to have received two new 175mm artillery batteries. The arrival of the weapons, which have a range of up to 20 miles, could intensify the artillery battles between Gen Aoun's forces and the Syrian army. Mr Lakhdar Ibrahimi, the assistant secretary-general of the Arab League who is trying to bring about a settlement in Lebanon, is expected to return to Beirut later in the week.

Security forces sweep Mogadishu after clashes

SOMALI security forces have been rounding up people in Mogadishu, the capital, in the two days since clashes with Moslem worshipers left 23 dead, residents said yesterday, AP reports from Nairobi.

The Government appeared to be using the security forces to prevent a repeat of Friday's violence when Somali police say 23 people were killed and 59 were wounded, according to residents interviewed by telephone.

The residents, who spoke on condition they were not identified, said they did not know how many people had been picked up, who or why.

Mogadishu, with the exception of the detentions, had returned to normal yesterday, a working day in the Moslem nation, they said. None of them reported hearing the occasional gunfire that continued into the early hours yesterday.

They did not know whether a dusk-to-dawn curfew imposed Friday and Saturday would continue.

Residents said the security forces were waiting outside the mosque when prayers ended and it appeared they were there to forestall demonstrations against the arrest on Thursday of several Moslem religious leaders.

It was unclear why the religious leaders were detained or whether there was any connection between their arrests, Friday's violence and last Sunday's assassination of Mogadishu's Roman Catholic Bishop Salvatore Pietro Colombo, the residents said.

The Government has said repeatedly the fighting was started by "troublemakers hiding behind the banner of religion" and the security forces tried to contain the situation peacefully. The Ministry of Interior said the troops only opened fire after being attacked by protesters wielding sticks, stones and knives.

Somali President Mohamed Siad Barre offered his condolences to the relatives of those who died and said "things were back to normal."

In his brief address over state radio monitored in Nairobi, the President appealed for calm and said it was important for the Somali people "to co-operate with the security forces in maintaining stability."

He also appealed to the security forces "to stop firing at random which could unsettle the people . . . sometimes if shots are fired, many people come out to find out what is happening. Shooting at such people is unlawful."

Fears over Mandela's role

By Anthony Robinson in Johannesburg

THE fears of radical blacks that their authority could be undermined following the expected release later this year of Mr Nelson Mandela surfaced over the weekend.

Leaders of South Africa's biggest black trade union federation Cosatu defined the jailed black nationalist leader's future role as "part of a leadership collective which had to be wholly involved in whatever negotiation takes place."

This apparent attempt to limit in advance the political autonomy of Mr Mandela was accompanied by a call to workers to take part in a week-long protest against the September 6 general elections, and to rebuild the "alternative structures of people's power" destroyed by the state of emergency.

These were among the most important resolutions approved over the weekend by the annual conference of the Congress of South African Trade Unions (Cosatu).

The 1,900 delegates, from unions representing over 1m workers, publicly defied a government ban on political activity by their call both for the week of protest and the revitalisation of "people's power."

Describing itself as "an integral part of the mass democratic movement", Cosatu lauded "the spirit of defiance and mood of resistance" of the working class. It urged reconstruction of the street committees, people's courts and other alternative power structures which emerged during the 1984/86 township revolt, but were smashed by the state of emergency and mass detentions without trial.

Meanwhile it remained unclear last night whether the prison authorities would allow Mr Mandela to meet black union and opposition political leaders at an extraordinary reunion planned to take place in his prison bungalow at Paarl's Victor Verster Prison on Tuesday.

Mr Mandela is understood to have given a list of 50 names to the prison department as guests at a function ostensibly to celebrate both his 71st birthday and the correspondence course law degree he has obtained from the University of South Africa (UNISA).

It would be Mr Mandela's first opportunity in 27 years to discuss policies and tactics with both his old comrades from the Rivonia treason trial of 1964, and current leaders of the black opposition.

It is understood that one option now being debated within ANC circles is the possibility of reconstituting a legal internal wing of the ANC, pledged to political non-violent means, without a formal renunciation of the armed struggle by the banned external wing of the movement.

Belgium and Zaire patch up quarrel

BELGIUM said yesterday it had normalised relations with Zaire after a nine-month row, and announced details of a new debt relief package for its former African colony, Reuter reports from Brussels.

"We can envisage a total normalisation of our relations, a new boost to our co-operation," Mr Mark Eyskens, the Foreign Minister, stated.

Mr Eyskens said that under a deal agreed in Paris on Saturday, Belgium would wipe out a state-to-state debt worth BFr5bn (£78m) owed by Zaire.

A further BFr5.75bn, representing a third of Zaire's commercial debt, would also be cancelled. Zaire would be able to pay the interest on the remaining two-thirds of this commercial debt, in its own currency, into a fund earmarked to finance development projects in Zaire, Mr Eyskens said.

The deal, tied up by Prime Minister Wilfried Martens and President Mobutu Sese Seko, ended a diplomatic row which erupted late last year.

Angered by Belgian press criticism of President Mobutu's wealth, Zaire scrapped two treaties governing post-colonial ties and announced it was ending privileged relations with Belgium. Direct flights between Brussels and Kinshasa were affected by the row.

Mr Eyskens said the two countries were expected to agree to restore normal air links.

Zairean companies ordered by Kinshasa to quit Belgium would return and any discrimination against Belgian business operations in Zaire would cease, he said.

Sudanese regime threatens banks

Sudan's new military ruler, General Omar Hassan al-Bashir, has vowed to prosecute some Islamic banks for financial wrongdoing in an apparent attempt to distance himself from Moslem fundamentalists, Reuter reports from Khartoum.

Gen Bashi, quoted yesterday by the armed forces newspaper, said corruption had prevented criminal charges being brought against banks under a probe launched in 1985.

OAU seeks action on South Africa

African ministers meeting in Ethiopia in advance of the annual summit of the Organisation of African Unity are expected to seek tougher global action this week to force South Africa to scrap its apartheid policies, Reuter reports from Addis Ababa.

A five-day meeting of foreign ministers starting today could also renew a four-year-old call for an international conference on Africa's $230bn foreign debt. The meeting will be followed by the summit from July 24-26.

Briton loses appeal for clemency

A Briton has lost his last appeal and faces hanging on a charge of drug smuggling, his lawyer said yesterday, AP reports from Kuala Lumpur.

The Penang State's pardon board has rejected the appeal for clemency by Derrick Gregory, a 39-year-old painter from Middlesex.

Islamic fundamentalists freed

ALGERIA has freed 14 Islamic fundamentalists convicted in 1987 of attacks against the state, a human rights activist said yesterday, Reuter reports from Algiers.

Miloud Ibrahimi, president of the Algerian Human Rights League, told Reuters they were freed by presidential decree on the occasion of last Thursday's Moslem Feast of the Sacrifice.

They were are among about 70 Islamic fundamentalists arrested in 1986 after a pitched battle with security forces. Their leader, Mostapha Bouali, was killed during the battle.

The 50 to 60 fundamentalists still in jail were the only prisoners of a political nature left in Algeria, where a new constitution adopted after riots last October guarantees political freedom, the human rights leader said. They were given sentences ranging from several years in prison to death, but the death sentences were never carried out.

The 14 freed were among those with the lightest sentences.

Angola resumes peace talks

RIGHT-WING Unita rebels resumed stalled peace talks with Angola's Marxist government in the Zairean capital Kinshasa yesterday, aiming to end their 14-year civil war, Reuter reports from Kinshasa.

Mr Pedro de Castro Van Dunem, the Angolan Foreign Minister, said he hoped the talks would make peace in Angola a reality. A member of the Unita delegation said: "We have come with an open mind."

The venue was kept secret and it was not known how long the talks would last.

Curfew on western Sri Lanka

SRI LANKAN authorities clamped a 13-hour curfew on six western areas of the island yesterday, Reuter reports from Colombo.

State radio said six areas in Gampaha district were put under curfew.

Press censorship has been enforced and security forces given powers to contain a threat by the People's Liberation Front to overthrow the government.

The Sunday Times said police found weapons, ammunition, cyanide capsules and gelignite at a Colombo hideout reported to have been used by the killers of two Tamil leaders.

Public funerals for Mr Appapillai Amirthalingam, leader of the moderate Tamil United Liberation Front (TULF), and his colleague Mr Vettivelu Yogeswaran will be held in Jaffna today.

A family spokesman said the remains of the two leaders would be flown to Batticaloa and Trincomalee in the east for Tamils there to pay their respects, before cremation in the evening.

The two were shot dead on Thursday at Mr Amirthalingam's home in Colombo by three gunmen. Guards killed the gunmen.

Family members told a magistrates' inquiry two Liberation Tigers of Tamil Eelam rebels were speaking to the victims when they were shot. The Tigers, holding talks with Sri Lankan ministers on ways to end their separatist rebellion, deny they were involved.

TULF led a non-violent campaign for an independent homeland in the north-east for Tamils, who form 13 per cent of Sri Lanka's 16m people.

Gandhi's visit accelerates thaw with Pakistan

By Christina Lamb in Islamabad

THE new improvement in relations between India and Pakistan has been boosted by Mr Rajiv Gandhi's arrival in Islamabad, the first bilateral visit by an Indian Premier to Pakistan in 30 years.

Both sides are hopeful of an agreement to end the war on Siachen Glacier, the world's highest battlefield, though neither Mr Gandhi nor Ms Benazir Bhutto, his Pakistani counterpart, can afford to be seen as capitulating.

Both countries attach considerable significance to the trip, Mr Gandhi's second visit in the seven months since Ms Bhutto became Prime Minister of Pakistan.

Senior officials in Pakistan's Foreign Ministry describe it as "an important building block", adding that Ms Bhutto is likely to pay a return visit to Delhi next month. Waiting at the airport for Mr Gandhi's arrival, Ms Bhutto told reporters: "We are moving step by step towards normalising relations but finally we will reach our goal".

Relations between the two countries have been bitter since independence in 1947 and they have fought three wars in 1948, 1964 and 1971. Pakistan claims that Moslem-dominated Kashmir, which is now held by India, is part of its territory and since 1984 war has been raging on the Siachen Glacier in the northern part of Kashmir.

India has accused Pakistan of arming and training Sikh separatists battling for an independent homeland in Punjab since 1983, while Pakistan alleges that India is sending saboteurs to incite unrest in the troubled province of Sind.

However since Ms Bhutto took office, the allegations have stopped, and during Mr Gandhi's visit in December to attend a meeting of SAARC (South Asian Association of Regional Co-operation), several agreements were signed, including a pact not to attack each other's nuclear facilities.

Mr Gandhi and Ms Bhutto have much in common. They are both young and Westernised and children of Prime Ministers. After the two prime ministers met again during the Bastille Day celebrations in Paris, Mr Gandhi said: "I feel that with Prime Minister Benazir Bhutto we have for the first time in 11-12 years an opportunity to solve our problems. We found it very difficult to deal with the military dictatorship".

The last Indian prime Minister to pay a visit to Pakistan was Mr Gandhi's grandfather, Jawaharlal Nehru, who came in 1960 to sign the Indus Water treaty.

Mr Gandhi arrived yesterday from Moscow for the one-night stay, during which he will hold talks with Ms Bhutto and the Pakistani President. He was greeted at the airport by Ms Bhutto and several ministers and given full ceremonial honours and 19-gun salute.

Security was tight, Mr Gandhi having sent ahead his own intelligence agents and two bulletproof Mercedes. He is accompanied by a high-level delegation, including the External Affairs Minister.

Although officials on both sides say no immediate breakthrough is expected. Pakistanis believe that with India's present hostile relations with their neighbours in the north and south and elections coming up, Mr Gandhi may show more flexibility towards Pakistan.

However, neither side can afford to be seen as selling out. Many Pakistani army generals are suspicious of Ms Bhutto's apparent softness towards India, whom they regard as their main enemy, and the Pakistani press is full of articles on Indian "hegemony".

A Foreign Office spokesman admits: "When all opinion in our press and parliament and the outside world is critical of India, it is hard for us to be seen as improving relations. They must be the first to compromise."

The main item on the agenda is the dispute over the Siachen Glacier which Ms Bhutto decribes as a "flashpoint" and foreign ministry officials see as a test for the seriousness of Indian intentions.

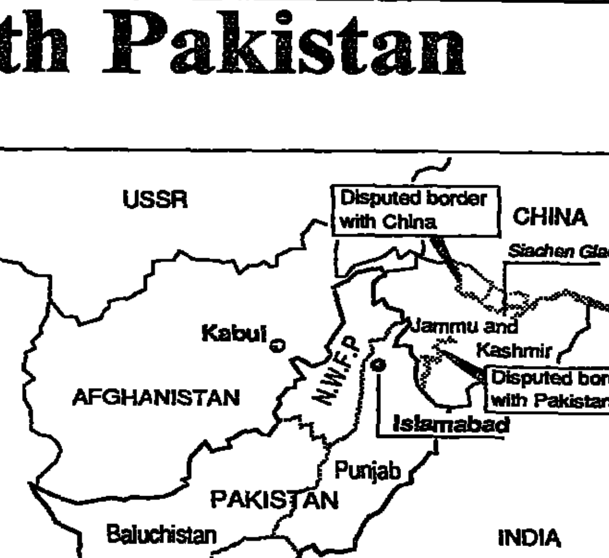
Past accords over a temporary boundary through Kashmir do not cover its northernmost reaches and in 1984 after maps published in the West started showing Siachen as under Pakistani control, India sent in troops, claiming they were pre-empting a Pakistani offensive which Islamabad denies.

Pakistan lost 1000sq miles it claims it controlled, and a major offensive in September 1987 to take it back failed with heavy casualties.

Ms Bhutto, then opposition leader, lashed out at President Zia for losing Pakistani territory. One Pakistani general says: "She criticised us for losing Siachen – she should get it back".

Both sides agree that the Himalayan area is "not fit for even dogs to live there" and the war being fought at 20,000 ft is a huge drain on resources.

Military commanders meeting last week failed to agree on pulling back troops. But even if no agreement is reached this time, officials are optimistic about the future.



SHIPPING REPORT

Brokers are baffled as Middle East rates fall

By Kevin Brown, Transport Correspondent

BROKERS were baffled last week as rates fell in the Middle East loading area despite a doubling in the volume of very large crude and ultra large carriers being fixed.

Twenty-one VLCCs and ULCCs with a carrying capacity of 5.6m tons deadweight were reported to have been fixed for eastern and western destinations.

However, rates slipped steadily and by the end of the week ships of 260,000 tons were being fixed at New Worldscale 44 to the Red Sea, NWS 51 to Korea, and NWS 47.5 to the UK/Continent.

There was a lot of demand for Red Sea tonnage and several vessels were fixed from Ras Isa. A ship of 240,000 tons was fixed at NWS 51 to the West, and a vessel of 135,000 tons to Trieste at NWS 85.

Brokers said Far Eastern charterers were in the market for 55,000-ton clean ships for August loading, and owners were able to obtain NWS 165. However, ships in the prompt position were being fixed at NWS 105.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	May '89	April'89	March'89	May'88
US	26,234	20,731	20,298	10,912
UK	36,968	39,097	38,771	38,513
W. Germany	50,676	51,384	50,157	65,778
Japan	89,262	93,471	92,739	80,738
Netherlands	13,991	13,155	14,437	14,144
Italy	37,270	37,233	35,534	24,579

	April '89	March '89	Feb.'89	April '88
France	23,054	22,572	22,104	27,970
Belgium	9,154	9,368	7,955	7,797

Source: IMF

صكنا من الاصل

UK NEWS

BR concessions unlikely to avert rail strike

By Charles Leadbeater, Labour Editor

THE 24-hour national rail strike planned from midnight seems likely to go ahead despite significant concessions by British Rail during talks with the rail unions over the weekend.

The national executive of the 70,000 strong National Union of Railwaymen will meet this morning to consider BR's offer to increase its 7 per cent pay award to 8.8 per cent, and to abandon the core of its proposals to break up industry wide collective bargaining.

Leaders of Aslef, the 17,500 strong train drivers union, which has imposed an overtime ban, will also meet this morning.

The corporation's retreat is the most significant management climbdown in the face of a dispute since Ford last year dropped plans for a three-year pay deal to end a two-week strike.

BR has dropped plans for pay to be set by five councils covering different grades of staff. Its concession that national bargaining should still determine basic pay, overtime rates, working hours, a wide range of allowances and non-pay terms and conditions, will strengthen the resolve of unions resisting the break up of centralised bargaining arrangements in other sectors.

The five councils would retain a role in negotiating pay regrading covering new technology, some specific allowances for skill shortages and in interpreting the application of the national agreement.

Despite the concessions union leaders said it was extremely doubtful they would be able to respond by noon, the deadline the corporation set to ensure it could run normal services on Tuesday.

Officials of both unions said it would take them several hours to go through the detailed proposals which they are yet to receive in writing.

They may ask for the planned November 1 implementation of the new machinery to be delayed to allow further time for detailed negotiations.

Aslef leaders said its executive might recommend a membership ballot on whether to call off the overtime ban, which could take several weeks to organise.

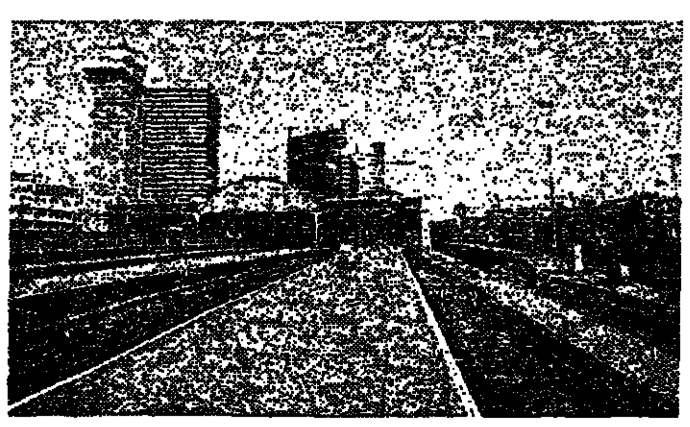
As a result the union's deliberations are likely to extend into the evening. This would make it virtually impossible for BR to run normal services tomorrow.

The concessions came after Sir Robert Reid, BR's chairman overruled Mr Trevor Toolan, the corporation's managing director of personnel.

Mr Toolan, widely regarded as a management hardliner, was responsible for several of the corporation's negotiating ploys which have drawn widespread criticism as well as the largely abandoned plan for decentralised bargaining.

The settlement to the dispute will be followed by a rigorous management post-mortem focusing on industrial relations in the run-up to Sir Robert's retirement in March next year.

● Elsewhere leaders of 500,000 local authority workers predicted solid support for a three-day strike to start from midnight. Local government services face severe disruption for the third week running in the dispute over pay and the break-up of national bargaining.



A deserted London Bridge station during last week's strike

Retail sales figures slip to slower growth path

By Ralph Atkins, Economics Staff

BRITISH RETAIL sales returned to a slower growth path last month after rebounding in May, reinforcing government hopes that high interest rates have curbed consumer spending.

Growth in sales volumes in June was below retailers' expectations and the lowest since February, according to the Confederation of British Industry-Financial Times distributive trades survey published today. Further sluggish growth is expected in July.

The results are encouraging news for the Government following recent official figures for retail sales and credit have hinted that consumers might have shrugged off high interest rates and boosted spending.

Department of Trade and Industry figures for retail sales volumes will be published later today. City analysts expect a fall of about 0.5 per cent after a 3 per cent rise in May.

The CBI/FT survey shows retail sales growth returning to rates seen in the first four months of the year and well below rates recorded last summer. May's survey showed an unexpected rebound, attributed to unseasonally mild weather.

Mr Nigel Whittaker, chairman of the survey panel, said: "Confidence among retailers remains generally low, so it is hardly surprising that expectations for sales growth in July remain depressed."

Stores faring worst in June included retailers of household textiles, furniture, carpets and Do-It-Yourself goods.

Out of the 298 retailers questioned, 50 per cent said sales in June were higher than the same month a year earlier and 23 per cent said they were lower. For July, 43 per cent expect an increase in sales compared with a year ago and 20 per cent forecast falls.

The survey also shows a slowdown in growth in orders placed with suppliers by retailers. However, wholesalers reported relatively strong growth in sales during June with the increase in sales volume only slightly lower than in May.

Consumer credit, Page 10

British Gas agrees to review its industrial price structure

By Maurice Samuelson

BRITISH GAS has agreed to re-examine its industrial price structure following criticism of the way it formulated changes to meet calls by the Monopolies and Mergers Commission for non-discrimination in its contract market.

The review will cover complaints British Gas received directly from customers and indirectly through Ofgas, the official watchdog body set up after gas privatisation three years ago.

British Gas yesterday said it hoped to reach conclusions on the issues during September and to incorporate any changes in the published schedules as soon as practicable thereafter.

One of the criticisms of the present system is that customers whose consumption falls narrowly short of the next volume/price band have an incentive to burn more in order to pay less and that this defeats calls for greater energy efficiency.

Mr Chris Brierley, a senior British Gas director, said yesterday: "We accept that argument" and would seek "a fair and reasonable approach in which we would continue to avoid discrimination between our customers."

It also faces calls for multi-site companies to be able to aggregate their purchases and for groups of companies and organisations, such as local authorities, to strengthen their bargaining power by negotiating through recognised consortia. Customers also want greater predictability over cuts in their supplies.

British Gas's pledge to examine these and other proposals coincided with a public plea by Mr James McKinnon, the Ofgas director-general, that it should resolve them quickly and that the agreed changes should be introduced "as soon as practicable."

He called for a greater number of price bands for purchasers of firm gas supplies and for interruptible customers, whose supplies are liable to be suspended to meet the needs of the system.

British Gas said it hoped to resolve some of the points made by customers, but warned that some "could, on the face of it, create more dissatisfaction than has been generated by the existing schedules".

It said its study would cover six areas of concern:

● extensions to the schedules to accommodate more premises and bigger loads which could be aggregated for the purchase of contract price;

● requests for contracts to be available to consortia of customers and agents;

● introduction of a load factor;

● anomalies at the interfaces between price bands and between tariff and contract gas;

● terms for interruptible gas such as aggregation and minimum interruption periods;

● the length of the transitional period for those customers facing large price increases.

Striking dockers stop diversion of cargo

By Our Labour Editor

DOCKERS striking over their demand for a national agreement to replace the National Dock Labour Scheme last night claimed their first significant success in preventing the diversion of cargo from a strike bound port to one that is working normally.

Shop stewards on strike at Southampton, one of the largest ports formerly covered by the scheme, said that dockers at Felixstowe, which was never covered by the scheme, had refused to unload a vessel called the Quality which was carrying 250 containers.

The Quality's cargo had been loaded last week in Rotterdam from a larger vessel called the Largs Bay, which normally docks in Southampton.

The stewards said the Quality had been forced to return to the continent because no other British port was large enough to take it.

The Southampton stewards had been able to warn the Felixstowe dockers of the vessel's arrival after dockers stewards from several ports last week visited Rotterdam in an effort to hold talks with union officials. The Felixstowe dockers' action raise the prospect of legal moves to prevent illegal secondary action.

Shop stewards, armed with leaflets printed in German, Dutch and French, visited several major continental ports last week. They plan next week to contact their counterparts in Scandanavian ports.

The stewards do not expect continental dockers to refuse to handle cargo. But they are hopeful that they will be able to alert British dockers to plans to divert cargoes to ports working normally.

Officials of several European unions are expected at the Transport and General Workers Union's London headquarters today for talks with the union's leaders, as the strike enters its second week.

The union and the National Association of Port Employers believe this week could be crucial in deciding the eventual outcome of the dispute.

هكذا من الاصل

UK NEWS

Mobil tops round of North Sea oil licence awards

By Steven Butler

MOBIL, the US oil company, has emerged as the biggest winner in the 11th round of North Sea oil exploration licence awards, according to a report by the Petroleum Services department of James Capel, the London stockbroker.

Conoco, another US company, came a close second in the recently announced round, even though it received significantly fewer net acres of licence awards. That is because the acreage had a higher average quality, according to a survey conducted by Capel, in which 18 oil companies were asked to rate the quality of all licence blocks on offer.

Other big winners in the licence round included Texaco and Chevron, both of the US, British Petroleum, Enterprise Oil, British Gas and Premier Consolidated Oilfields, of the UK.

American companies came out on top overall, getting 46 per cent of the new acreage. British companies obtained 30.3 per cent. The report said the reason the US dominated the round was that too few British companies were capable of contributing to UK offshore exploration.

Capel estimates that between 1bn and 3bn barrels of oil and gas discoveries may be made on the newly awarded acreage, although they would more likely be at the lower end of the range unless a new geological concept leads to the discovery of different types of oil reservoirs.

The report says that 79 per cent of the acreage awarded in this round had been under licence previously, and relinquished. "This is a high percentage, which helps confirm that the great majority of the most prospective areas of the UK continental shelf has already been licensed, and that companies have little choice these days but to pick over blocks that have previously been relinquished," the report says.

Some 90 per cent of the most prospective areas in water depths of less than 200m is now under licence, implying that future licence rounds are likely to have considerably less attractive acreage on offer. Nine tenths of the oil and gas found in British waters are in blocks under licence in the first four rounds. That comes to 99 per cent if acreage is included that was licensed in those rounds and later relinquished.

The report says that deep-water areas are potentially prospective but have so far been little explored, in part because of technical difficulties. The report recommends that the Government should encourage formation of special consortia, with a 10 per cent government participation, to proceed with seismic exploration and experimental drilling.

The report also recommends that the Government continue to press the oil companies to explore acreage that has been under licence for long periods without being drilled. A campaign by the Government to encourage that has already produced results, although much undrilled, unrelinquished acreage remains.

Access will change name to Signet

By David Barchard

ACCESS, the Joint Credit Card Company, is to change its name to Signet, in a move aimed at creating a new market identity, independent of the consortium of six banks that owns it.

The Access brand name for credit cards issued by individual banks inside the consortium will not be affected. About 14m Access cards are processed annually by JCCC, whose plants at Southend and Basildon are the largest and most technologically sophisticated credit card processing operation in Europe.

For the first decade and a half, the operation was run as a tight cartel by member banks and included retailer network management as well as card issuing and account processing.

That ended a year ago when member banks – which include National Westminster, Midland, Lloyds, and Royal Bank of Scotland – began to compete with each other directly in the credit card market. At least one of the "Big Four" says privately that it is considering selling its stake in the joint venture.

Mr Tony Lee, chief executive of JCCC, has been working throughout the year on restructuring the company's operations to turn it eventually into a pan-European credit card processor.

He said yesterday: "Access is just one of the card schemes we now handle along with Visa, MasterCard, other international systems and retail card plans." Promotion of the Access name will be handled by a separate company.

Multi-disciplinary move on science cash

David Fishlock on the idea of merging the research councils to break down barriers

THE CONTROVERSIAL issue of a wholesale reorganisation of Britain's research councils, the five agencies through which government spends about £800m a year on science in support of higher education, comes before the Advisory Board for the Research Councils when it meets in London tomorrow.

The board, under the chairmanship of Professor Sir David Phillips, the Oxford biophysicist, advises Mr Kenneth Baker, the Education Secretary, on his department's science budget.

The reorganisation issue was uninvited. The ABRC set a different question when it asked its deputy chairman to report on the way the biological sciences are funded.

The idea came out of proposals from the House of Lords select committee on science and technology last year, that two research councils with a biology bias – the Natural Environment Research Council and the Agricultural and Food Research Council – might merge their activities.

What the ABRC has been bluntly told, however, by a high-powered, five-strong committee, comprising three of its members, is that the 23-year-old structure of the five research councils is out of date. That became clear because biological sciences now pervade the activities of four of the five – accounting for 43 per cent of the budget.

Mr Dick Morris, a chemical engineer, once technical director of Courtaulds and now chairman of Brown and Root (UK), and his committee say

Dick Morris: proposes a unified research body

that current arrangements for supporting the biological sciences are not sufficiently flexible and responsive.

As currently constituted, the research councils are simply failing to co-operate in bridging the gaps between them – and the failings go deeper than the biological sector of science.

The Morris report instead proposes that biological and environmental sciences should form one of six "semi-autonomous" divisions of a unified body called the national research council. The six divisions, together with a proposed apportioning of funds, are shown in the diagram.

The new council would replace the ABRC. Its director-general would be chief executive and accounting officer, and would most probably be one of the scientific peers.

Mr Morris's report takes a pragmatic view of the structure and influences that currently prevent better co-ordination of biological sciences. Not least of those is that the research councils have each evolved their own way of working, which tends to maintain barriers between them at a time when the watchword in research is multi-disciplinary.

Proposed National Research Council
Total funding £800m a year

COUNCIL
Director General

Medical Sciences	Biology and Environmental Sciences	Physical Sciences	Engineering and Technology	Economic and Social Sciences	Astronomy and Nuclear Sciences
(£165m)	(£210m)	(£130m)	(£120m)	(£30m)	(£145m)

One view is that with four research councils all funding biological sciences, there is diversity in sources of funding – fail with one, and the scientist tries another. Another view is that it is time-wasting for scientists to have to make repeated applications for funding to the different councils.

In the case of biology, what once was largely a descriptive science is now based increasingly on fundamental themes and principles, the report says. It has benefited enormously from advances in other core sciences – chemistry, physics and mathematics – and there is a growing frequency of developments occurring at the interfaces between those traditional divisions.

The impact of biology on human affairs is also increasing – in agriculture, biotechnology, environmental science and medicine, for example. The report says it expects a big increase in the creation of wealth by industries based on biological sciences, and therefore in the importance of the interface with engineering.

The Morris report identifies serious difficulties within the research councils over the balance of effort between research and training – within biology and between biology and other sciences. It argues that questions such as the supply of bioscientists to meet future demands need to be addressed by all the councils, in conjunction with industry.

It also asks whether boundaries have been drawn correctly, for example in funding of life versus physical sciences, and between the responsibilities for life sciences of the research councils and of the relevant government departments.

Sovereign research councils with their own charters are not the most effective ways of promoting "internal cohesion of science", the report says. Logically, there should be a single national research council.

The following six divisions are proposed:

- Medical sciences – formed from the Medical Research Council.
- Biology and environmental sciences – formed from the Agricultural and Food Research Council, plus the biotechnology directorate of the Science and Engineering Research Council.
- Physical sciences – formed from the physical and earth sciences of the Natural Environment Research Council, plus the physical sciences of Serc.
- Engineering and technology – formed from research supported by the engineering board of Serc.
- Astronomy and nuclear sciences – formed from work supported by Serc
- Economic and social sciences – formed from the present Economic and Social Research Council.

There is doubt, however, whether the reorganisation will ever happen. Certainly some – the MRC in particular – will contest the loss of autonomy implied by a single body. It was not pleased when Serc set up its biotechnology directorate, entering pastures it considered its exclusive preserve.

However, the signs are that the basic proposition – although uninvited – has been recognised as a serious attempt to tackle a real administrative problem. Mr Baker foreshadowed changes in that direction in a speech last month.

The most serious objection is simply that the proposed changes might require new legislation at a time when government is overburdened. The ABRC may therefore address the issue of whether such a reorganisation might be implemented and financed in stages, without resorting to primary legislation.

Job loss rate rises rapidly in clothing and textiles

By Alice Rawsthorn

THE RATE of job losses in the clothing and textiles industries rose rapidly in the first quarter of this year as companies struggled against increasing imports and sluggish consumer spending.

The level of employment in the industries fell by 20,000 to about 483,000 in the year to the end of March, according to the latest statistics from the Apparel, Knitting & Textiles Alliance.

Coats Viyella and Courtaulds, the largest players in the industries, have both been forced to resort to substantial factory closure and redundancy programmes. However, difficulties have affected companies of all sizes and some of the smaller ones have gone out of business.

The most vulnerable concerns have been the knitwear manufacturers of the East Midlands and the acrylic spinners, concentrated in Yorkshire, which supply them. For those companies the general downturn in textiles and clothing has been exacerbated by the trend towards tailored clothing, which has depressed demand for knitwear.

The combination of increasing imports and weak demand in the domestic market has imposed intense pressure on output. The level of textile production fell by 2 per cent in the first quarter of 1989, compared with the first three months of 1988. Clothing output slipped by 0.5 per cent over the same period.

Last year the industries experienced a dramatic increase in imports, fuelled by the strength of sterling against other currencies. The pound has since fallen to a more competitive level but, because of the length of the retail buying cycle, most retailers had already placed their orders for the first quarter of the year.

The value of textile and clothing imports rose by 6 per cent to £1.9bn in the first quarter of the year. The impact of increased imports was countered by buoyant exports – which rose by 8 per cent to £906m – but the trade deficit widened by 4 per cent to £973m.

The trade deficit has continued to grow since the end of the first quarter. By the end of May it had risen to £1.5bn. Mr Allan Nightingale, chairman of the AKTA, described the situation as very worrying.

Soviet officials to visit Hinkley inquiry

By David Green

A DELEGATION from the Soviet nuclear power industry is due to visit the Hinkley Point C inquiry this week.

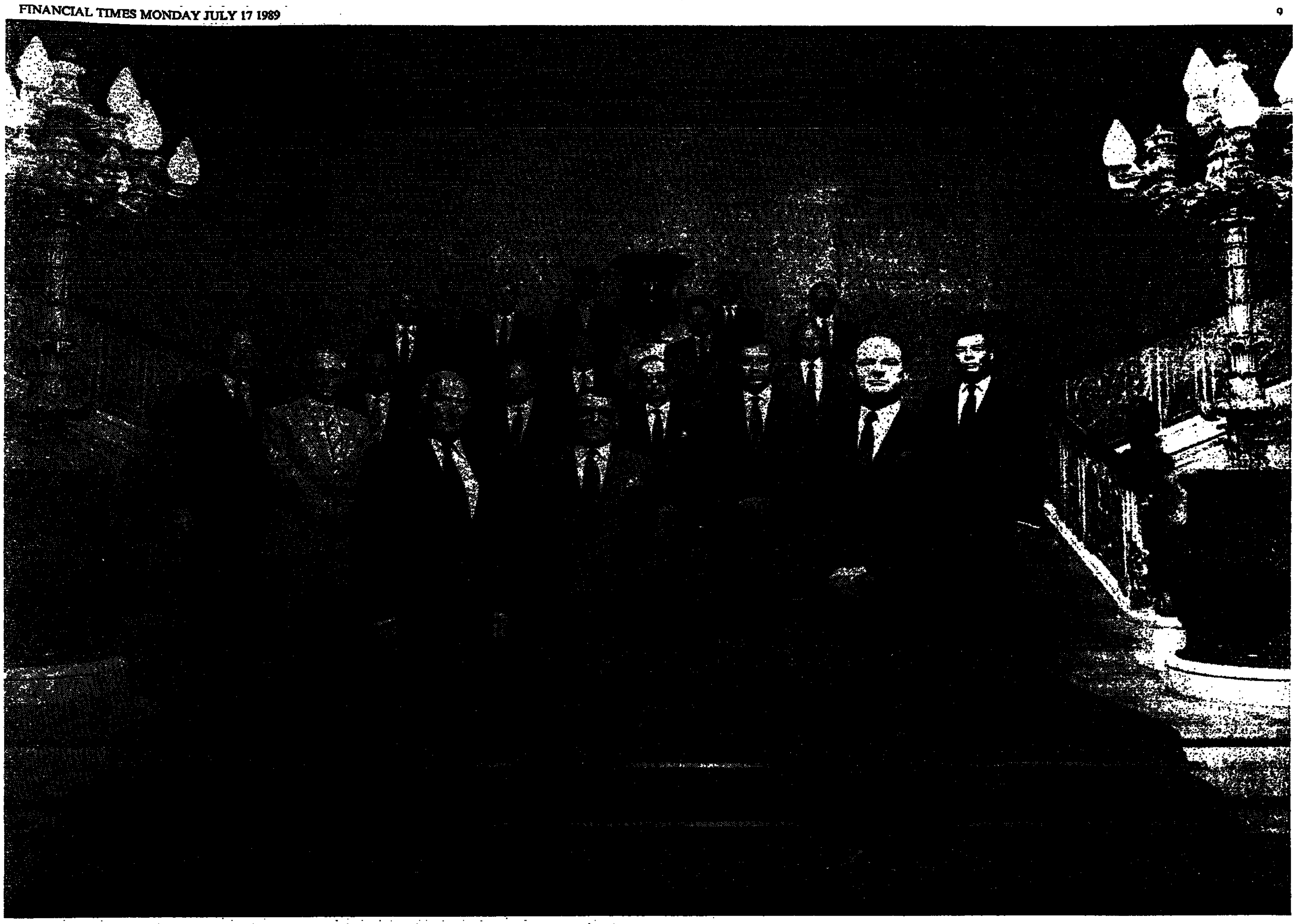
Officials are calling to find out more about the UK inquiry system after pressure in the Soviet Union for some form of public consultation over plans for nuclear plants.

They will talk to representatives of the Department of the Environment, the Central Electricity Generating Board and organisations opposed to nuclear power.

The Soviet party will include the chief designer of nuclear power stations, the head of protocol and the deputy head of the scientific and technical department.

The Soviet party's arrival tomorrow follows last week's visit by Mr Michael Barnes, QC, the Hinkley Point C inquiry inspector, to Chernobyl, where in 1986 the world's worst nuclear power station accident occurred.

هكذا من الاصل



The leaders of the revolution.

Four months ago, Bob Reid, Chairman of Shell UK, had a few words to say about the proposed Training and Enterprise Councils. Quite simply, he thought they might spark off "a second Industrial Revolution."

Well... meet the revolutionaries.

Not a bunch of desperadoes, but the leading lights behind some of Britain's most successful companies.

And, as of now, the custodians of the first TECs in England and Wales.

Responsibility for local growth in 19 business communities will be in their hands.

Here's what they make of that responsibility:

"Our aim is... to make our TEC the hub of economic regeneration in the area." NORMAN STOLLER.

"TECs will raise the quality and quantity of training, thus improving industrial competitiveness and increasing the personal satisfaction of the individuals involved." TONY CANN.

"This is great news – an excellent opportunity for the business community to participate in all the training and enterprise activities in the area." CHRIS SHARP.

"Make no mistake, this is vital to Walsall's future prosperity." JOHN SAYERS.

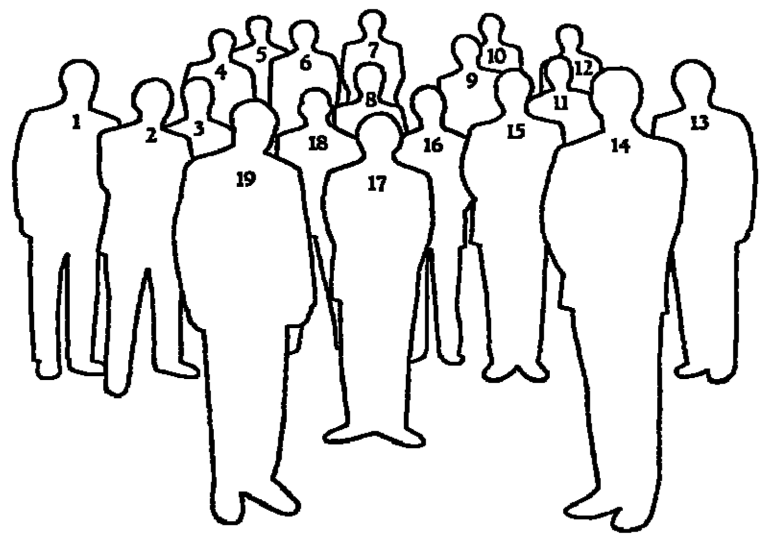
"The pay-off for business and the broader community is potentially very substantial." RICK EMSLIE.

"The Essex TEC has received enthusiastic support from many areas of industry, business, training and education in the county. We must now get on with the job and justify this support." LEON GRICE.

Funding has so far been awarded to TECs in areas as far apart as Cornwall and Tyneside. They represent the most radical development in training and enterprise that this country has ever seen.

They're the first of many.

Join the revolution and find out what's happening in your own business community by contacting your Training Agency Regional Director.



1. Mr Tony Saint, Director, British Aerospace Commercial Aircraft plc, HERTFORDSHIRE.
2. Mr Leon Grice, Chairman, Lafarge Aluminates International Ltd, ESSEX.
3. Mr Eric Dancer, Managing Director, Dartington Crystal, DEVON AND CORNWALL.
4. Mr Malvern Goodall, Managing Director, Goodall's Caravans Ltd, CALDERDALE/KIRKLEES.
5. Mr Rick Emslie, Executive Director, VSEL Consortium plc, CUMBRIA.
6. Mr Roger Barnes, Operations Director and General Manager, Plessey Radar Ltd, ISLE OF WIGHT.
7. Mr David Pollard, General Manager, Modex Automation Ltd, HAMPSHIRE.
8. Mr Tony Werton, Director, Unisys Ltd, MILTON KEYNES.
9. Mr Chris Sharp, Managing Director, Northern Rock, TYNESIDE.
10. Mr Tony Cann, Chairman, Terminal Display Systems Ltd, EAST LANCASHIRE.
11. Mr Charles Mitchell, Chairman and Managing Director, Century Oils Group plc, NORTH WEST MIDLANDS.
12. Mr Danny Ward, Director, Teesside Works, British Steel Corporation, TEESSIDE.
13. Mr John Sayers, Vice President and Managing Director, Intertan UK Ltd, WALSALL.
14. Mr Richard Field OBE, Chairman, J & J Dyson plc, SHEFFIELD.
15. Mr Ray Way, Chairman, Birmingham and Handsworth Dairies, BIRMINGHAM.
16. Mr J Brian Heron, Chief Executive, TBA Industrial Products Ltd, ROCHDALE.
17. Mr Norman Stoller, Chairman, Seton Health Care Group, OLDHAM.
18. Mr Tom Booth, Chairman and Chief Executive, Refuge Group plc, SOUTH AND EAST CHESHIRE.
19. Mr Peter Allsebrook, Chairman, TNT (UK) Ltd, DORSET.

EMPLOYMENT DEPARTMENT GROUP

TRAINING · ENTERPRISE · COUNCILS · TEC · TEC · TEC

UK NEWS

Ridley defends his record amid reshuffle speculation

By Michael Cassell, Political Correspondent

MR Nicholas Ridley yesterday mounted a resolute defence of his record as Environment Secretary as speculation mounted at Westminster that he will be moved in the impending ministerial reshuffle.

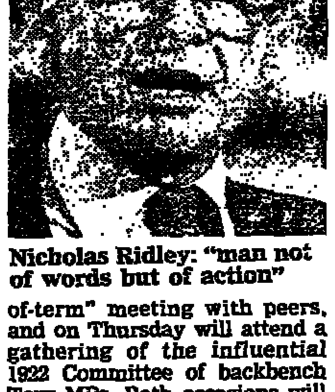
He refused to comment on calls, some from within his own party, for his dismissal, but outlined a series of measures that he claimed made Britain a leader on environmental issues. Mr Ridley described himself as a man of "perhaps not so many words as action."

Sir George Young, a former Environment Minister, said Mr Ridley's job required someone of "more conviction and credibility." He suggested he should be moved to the Department of Trade and Industry, a job for which Mr Ridley is being widely tipped.

After her return from the Paris summit, Mrs Thatcher will today begin the process of planning the reshaping of her Cabinet, an annual event which has taken on added significance, given the Government's low electoral standing.

A reshuffle this week was ruled out by government sources yesterday, and is expected to be announced next week, shortly before Parliament rises for the summer recess.

Tomorrow, Mrs Thatcher will have her traditional "end-of-term" meeting with peers, and on Thursday will attend a gathering of the influential 1922 Committee of backbench Tory MPs. Both occasions will help the Prime Minister in deciding the team that will be charged with the task of presenting the Government's case and improving its popularity.



Nicholas Ridley: "man not of words but of action"

It seems very unlikely that any of the three most senior Cabinet posts, those of Foreign Secretary, Chancellor of the Exchequer or Home Secretary, will change hands. There is some speculation, however, that Lord Young, the Trade and Industry Secretary, will be moved.

Among ministers likely to win promotion are Mr John Major, the Chief Secretary to the Treasury, who is expected to get his own department, possibly Transport or Education. Another candidate for more responsibility is Mr Christopher Patten, the Minister for Overseas Development. Several MPs will get their first ministerial jobs.

Mr Ridley, who has opposed suggestions that "green" issues should be hived off from his department to a newly created ministry, yesterday defended his recent description of Green Party policies as "unscientific rubbish based on myth, prejudices and ignorance."

He said the party had wilfully exaggerated Britain's environmental ills to win support.

Mr Ridley said that, since he become Environment Secretary more than three years ago, the Government had established an inspectorate of pollution and introduced a water bill which had established a national rivers authority to enforce high environmental standards.

The Government, he added, had also instituted a £1bn clean-up programme for coal-fired power stations, while Britain was ahead of other EC member states in implementing legislation designed to improve and maintain drinking water quality.

Long delays as strike by French hits UK airports

By Lynton McLain

INDUSTRIAL ACTION over pay by French air traffic controllers delayed travellers at British airports by an average of between one and six hours yesterday, making it the worst weekend of the summer for travel disruption.

Flights to the Mediterranean were most seriously affected and some flights were delayed indefinitely. The effects of the disruption are likely to be cumulative, as flight departure times that are lost cannot be regained.

Managers at Gatwick airport, Britain's busiest airport for charter flights, where thousands of holidaymakers were delayed over the weekend, are meeting today to discuss using marquees to cope with overcrowding, the airport said.

"We must be prepared for a repetition of the delays next weekend," said the airport company, part of BAA. The airport is prepared to spend £200,000 alleviating the pressure this year, twice as much as it spent in 1987.

The airport managers brought in a clown to entertain children who had been delayed and a playgroup was being set up at the weekend.

The disruption at Manchester and Leeds-Bradford airports was exacerbated by the grounding of five airliners belonging to Hispania, after the company ceased trading in a dispute over payment of bills.

Hispania was Spain's largest privately owned charter airline, based in Palma, Majorca, until majority control in the company was bought last year by Fimpar, the Italian tourism company controlled by the Aga Khan.

Two Hispania aircraft were due to fly from Manchester to Palma and Tenerife. The 225 passengers, who were to fly to Palma at 9.45am yesterday, were sent home after an eight-hour wait, with the promise of an alternative flight at midnight tomorrow from Manchester Airport.

At Leeds-Bradford, an Hispania service to Málaga for 135 people was cancelled. A second Hispania aircraft, a Boeing 757, was impounded by the airport authorities because of the company's outstanding debts.

Leeds-Bradford was also affected by the French controllers' strike. One of the worst delays was one of seven hours on a flight to Reus, Spain.

New check-in procedures were introduced at Gatwick after long queues of passengers had developed on Saturday as flights were delayed. To overcome queueing, passengers were not allowed into the departure lounge until their flight had been called.

At Gatwick, by late afternoon yesterday there were signs that the situation was improving and there were hopes that few flights should be delayed beyond midnight.

The airport said that French controllers were allowing more flights into the country and that fewer aircraft were late arriving back at base.

The French action was expected to continue until this morning.

Battle to put a price on power

Max Wilkinson on why the electricity industry may cut asset values

THE IDEA of executives of multi-billion-pound companies wandering about the City bad-mouthing their own assets may sound like a banker's bad dream. But then, it is not often that a sovereign country tries to sell its citizens a lot of secondhand power stations.

It was indeed the men in striped suits who first suggested that the electricity industry should humble its historic pride and admit that the smoking towers and cables marching across the countryside are not worth nearly as much as is given out.

In its last report and accounts, for the year 1987-88, the Electricity Council claimed the industry south of Scotland to be worth £37bn, on a replacement cost basis, a figure that provokes not very jovial laughter in the army of financial advisers now preparing for the greatest asset sale of them all. Many would give change out of a figure half that size.

The valuation of electricity assets has become much more important and more political than in previous privatisations, because of the Government's decision to divide the industry horizontally between producers and wholesalers (the two generating companies, National Power and PowerGen, and the 12 distribution companies created from the area boards).

Before the sale of British Telecom and British Gas, it was widely accepted that a nationalised concern would be sold at a substantial discount to its book value, largely because the private sector demands a higher rate of return on capital than the Government's target of 5 per cent in real terms for nationalised industries (raised in April to 8 per cent). The pre-privatisation battles in those industries focused more on the burden of debt.

In the electricity industry, however, the capital values assigned to different plant will significantly influence the way in which profits and risks are distributed between the two halves of the industry.

Finding a compromise has been particularly difficult because the ancient feuds between the Central Electricity Generating Board and the area boards was interrupted by only a brief armistice when the combatants were too disoriented by the privatisation proposals to know how the battle should be resumed.

The field now being contested has been clearly marked out as the medium-sized industrial and commercial consumers at present corralled by the area boards, but thought by the generators to be eager to escape into a new world of direct-sale contracts.

The extent to which that is allowed to happen depends largely on the type of contract between generators and distributors, now under vigorous dispute and awaiting government arbitration. One of the key elements of these contracts will be the fixed payments made by distribution companies to cover the capital costs of power stations. Much therefore depends on the values assigned to the assets.

The easiest way to tie up the industry for privatisation would be to shackle the two halves of the industry together with tight contracts based on high fixed ("capacity") charges reflecting relatively high asset values. The payment of large capacity charges would give distributors pre-emptive rights over the power stations and thus prevent the generators from detaching their industrial customers.

The generating companies, loaded with high-value assets, would, in turn, be less tempted to enter vigorous price-cutting competition in the industrial sector. Selling at high prices to distribution companies, which would guard the traditional monopoly, would be better business, even if that meant some power stations were lying idle. This high-price high-asset value world would also probably appeal more to investors and so yield better proceeds for the Treasury.

The dilemma, for generators, was that that strategy would lay them open to poaching from independent power companies. The industry's average all-in cost for wholesale electricity may be about 2.9p per kWh, whereas according to some estimates a new entrant with a combined-cycle gas turbine could make a profit at under 2p per kWh. To protect their market, the generators would have to lower prices.

Once competition breaks out, however, there is no knowing where it might stop, particularly in an industry with a large amount of overcapacity for most of the year. So the name of the pre-privatisation game rapidly changed, as the advisers started to cry: "Travel light: minimise those assets!"

Their advice is justified from two points of view, apart from the commonsense idea that a company privatised with written-down assets will have an easier job making a respectable percentage return.

A more technical justification is that the CEGB's present valuations are based on the wrong method. Coal-fired plant, for example, is valued in relation to the estimated current cost of building its newest giant power station, at Drax, near Selby. But some argue that the costs of Drax were excessive even though it was built to budget.

Others, more pertinently, say that the nation does not need new Draxes when gas turbines would be much cheaper and more efficient.

Then there is the market's way of looking at the asset as equal to the present value of the stream of future net income. On that view, the nuclear assets could have a negative value compared with a book value on replacement cost of £9.2bn.

And even though the book value will not be the same as the market's valuation, it is argued that the figures in the prospectus must look credible to prospective investors.

The discussion has held up the preparation of the report and accounts for the industry in 1988-89, the last year in its present form, because ministers have been faced with a write-down of £4bn to £5bn before they even start to think of a privatisation discount.

Clearly, if the industry is allowed to become competitive very quickly, industrial electricity prices will fall, and the generating companies will be worth correspondingly less. But suppose the generators are now only pretending that they want to slug it out in the industrial market, how much should their assets be discounted then? The brightest talents in the Civil Service must soon have the answer.

Editorial comment, Page 20

New poll over Democrat name

By Michael Cassell

THE Social and Liberal Democrats are to ballot delegates on whether they wish to reopen the debate on the short title of their party at this autumn's conference in Brighton.

The party's conference committee met yesterday and decided that the issue, which has again resurfaced within the membership and at Westminster, should not be included in the final conference agenda.

The decision was taken after a poll of the membership showed that an overwhelming majority believed a renewed, public controversy over the short title would further damage the party's already low electoral standing.

Some MPs have joined calls for a change from Democrats to Liberal Democrats and an emergency motion on the issue has been received by the conference committee. The committee will now arrange for a ballot of the delegates before the start of the conference in order to establish the party's view.

Mr Jim Wallace, the Democrat chief whip, said yesterday that the parliamentary party last week had expressed its determination that the Brighton gathering should be used for focusing on the main political issues of the day. He was sure that the party membership would reflect a similar view.

The ballot will close ten days before the annual conference. A decision to stage an emergency debate on the issue would be embarrassing for Mr Paddy Ashdown, the party leader, but he is apparently confident that the idea will be rejected.

Councils invest more overseas

By Eric Short, Pensions Correspondent

LOCAL AUTHORITY pension schemes were heavy investors in overseas equities during the 12 months to March 31 1989, according to the latest performance analysis from the WM Company, the largest investment performance measurement company in the UK.

WM analysed the performance of 91 local-authority superannuation schemes, with combined assets of £30.8bn, accounting for 95 per cent of all local authority funds.

In the 12 months being measured, the funds had a net cash flow of £1.06bn, of which 63 per cent was invested in overseas equities, two thirds in continental Europe and one third in Japan, and 57 per cent was held in cash and other liquid assets. That was offset by a 62 per cent disinvestment in UK gilts and other bonds.

Investment during the year in UK equities was just 6 per cent of new money, with UK property accounting for a further 9 per cent.

That investment pattern seems strange, given that many local authorities are Labour-controlled and the general strategy of the Labour Party is that institutions should severely limit their overseas investment and invest in Britain.

But a spokesman for WM said that the main concern of local authorities regarding overseas investment of their pension funds was no investment in South Africa.

Local authority schemes had a good investment year. The average return was 21.9 per cent, dropping to 21.6 per cent if property is excluded.

That compared with a 7.3 per cent rise in the Retail Price Index and an earnings growth of 9.3 per cent over the year, making a real return on investments of 11-13 per cent.

However, local-authority pension funds on average slightly underperformed private-sector schemes, with an average return of 22.7 per cent.

But over the long term, local-authority schemes were showing a superior performance, averaging 19.4 per cent over the past seven years against 18.8 per cent. A better performance on overseas equities and, until recently, an absence of holding in the poorly performing index-linked gilts accounted for the better performance.

The analysis showed that at the end of March local authority pension schemes held in aggregate 18 per cent of assets in overseas equities, compared with just 9 per cent seven years ago.

Retail sales growth slackens in June

By Ralph Atkins, Economics Staff

THE REBOUND in retail sales growth in May was not maintained last month, according to today's Confederation of British Industry/Financial Times distributive trades survey.

Growth in retail sales volumes fell to the slowest rate since February and well below rates recorded last summer, the survey shows. It suggests that high interest rates continue to subdue consumer spending.

Sales volumes last month failed to meet retailers' expectations, while there was also a slowdown in orders placed with suppliers. Growth for July is also expected to be modest.

The results contrast with the previous month's survey showing retail sales growth in May approaching rates seen last summer when consumer spending was rising rapidly. Official figures for May showed a month-on-month rise of 3 per cent and a record increase in credit.

Mr Nigel Whittaker, chairman of the survey panel, said: "The considerable slowdown in the annual rate of retail sales growth reported in June indicates that the boost to trade in May was, as expected, only temporary, due to the favourable weather."

The survey shows that out of the 298 retailers responding to the survey, 50 per cent said sales in June were higher than a year earlier and 23 per cent said they were lower. The difference between the two percentages – which gives the best guide to the trend growth rate – was a balance of 27 per cent.

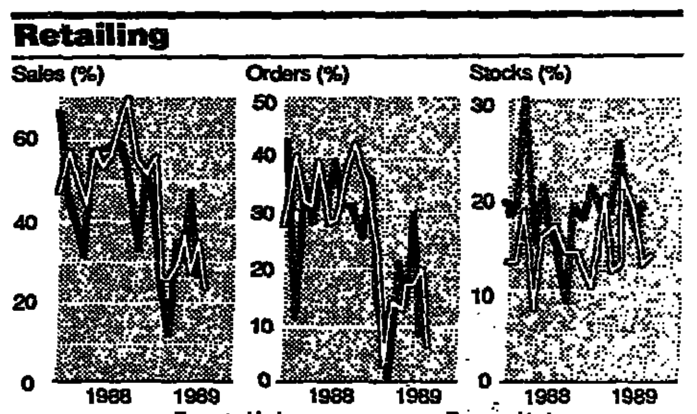
That followed a balance of 48 per cent in May and was consistent with balances of between 12 per cent and 35 per cent in the first four months of the year. Last summer, the balance of retailers reporting increased sales compared with a year earlier frequently approached 60 per cent.

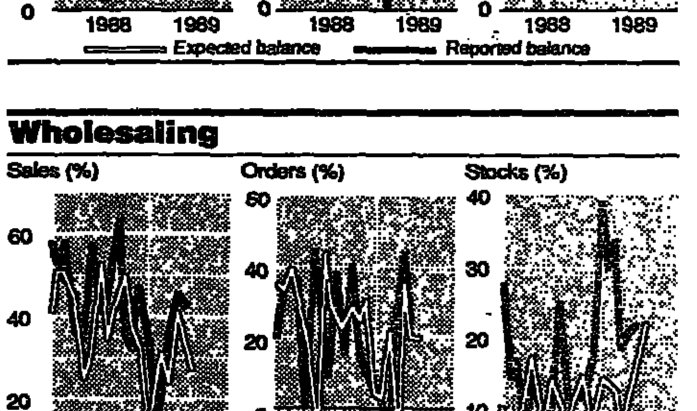
Sectors reporting lower sales in June than a year earlier included retailers of household textiles, furniture and carpets, hardware, china and do-it-yourself goods. For July, a balance of 23 per cent of retailers expected sales to be higher than in July last year.

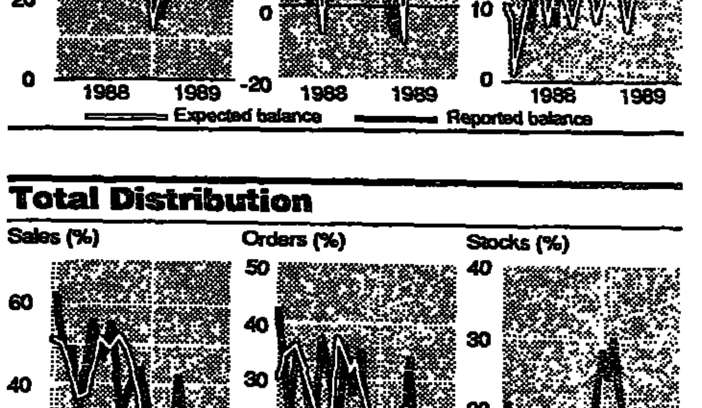
Growth in orders placed by retailers slowed in June by more than expected. A balance of 9 per cent ordered more than a year ago, compared with 30 per cent in May. Stocks were built up a little in relation to expected sales.

Among the 166 wholesalers responding to the survey, a balance of 42 per cent reported higher sales volumes in June than a year earlier – a faster growth rate than expected. The rate of increase was slightly lower than the balance of 46 per cent in May and otherwise the highest since December. Wholesalers of clothing, textiles, footwear and durable household goods were among those reporting lower sales in June than a year earlier.

Orders placed with suppliers by wholesalers grew at a slower rate in June than May. A balance of 24 per cent ordered more than a year ago, compared with a balance of 43 per cent in May. For July, a balance of 27 per cent of retailers expected sales to be higher than the same month a year earlier. The 49 motor traders responding reported depressed sales growth in June.







Reality behind the joblessness statistics

Ian Hamilton Fazey discovers a mismatch between facts and figures in the north

THE UK's latest unemployment rate is 6.3 per cent, according to the monthly figures for June published last week. It was the 35th month in which a fall has been reported and the Government's regional statistics showed only Northern Ireland with a rate in double figures.

The news continued to be greeted with some bewilderment in many of northern England's large towns and cities. Unemployment has been falling everywhere, but the picture is nowhere near as comfortable as the national and regional figures suggest.

The north is divided by the Government into three economic regions: the north-west; Yorkshire and Humberside; and the "standard north", which consists of the north-east and Cumbria.

Nearly 14½m people live there – a quarter of the population of the UK and nearly three times as many as in Scotland. They account for about a quarter of the UK's gross domestic product.

Last week's figures for June gave unemployment rates of 8.8 per cent for the north-west, 7.5 per cent for Yorkshire and Humberside and 9.8 per cent for the standard north. However, analysis of unemployment in the north's 69 travel-to-work areas (TTWAs) shows that the overall figures hide a difficult situation in the region's old industrial cities and towns.

Newer industry and jobs are concentrating in the pleasanter parts of the M62 corridor between the M6 in the west and A1 in the east, and around the smaller towns of Lancashire, Cheshire and North Yorkshire. Attractive market towns have special appeal.

The result is a large number of black spots in the "smoke-stack" areas of the industrial revolution. They are not mere "pockets" but involve whole conurbations and millions of people. Indeed, 36 of the 69 TTWAs have a double-figure male unemployment rate. In the north-east, 11 of 13 TTWAs are in this category. In 21 TTWAs, either male unemployment is over 14 per cent or total numbers of registered jobless exceed 15,000 people. In 12 TTWAs, both criteria are involved.

Comparison with, say, Surrey – where unemployment is officially zero – is even more marked when the population of Woking (86,600 in 1987) is compared with the number of unemployed on Merseyside (88,723). Aggregating the number of unemployed in the neighbouring TTWAs of Newcastle, South Tyneside and Sunderland gives a figure of 73,366. That is more than the number of people living in the Surrey district of Epsom and Ewell (66,800).

That is not to say there has been no improvement; for example, Merseyside's unemployed register contained nearly 100,000 names for much of the winter.

Where northern unemployment is universally in single figures is among women. However, no one believes that the figures reflect the true numbers of jobless women who want to work. They represent only women qualified to claim benefit and thus exclude many married women.

Recent closures, such as that of the Birds Eye food factory in Kirkby, may have little effect on Merseyside's overall rate because most of the women involved will not be entitled to claim benefit and will therefore not be "unemployed" in the official sense, even though several hundred of them will have lost their jobs.

One result of that is that "total" unemployment figures, which aggregate both male and female claimants, look better than they are.

In one northern region – the standard north – the figures are improved in appearance by the way boundaries are drawn to group the data. Cumbria, where the male, female and total unemployment rates are 6.8 per cent, 5.1 per cent and 6.1 per cent respectively, is lumped with the north-east to produce an overall rate in single figures for the "standard north." Why that appears strange to many observers is that Cumbria is claimed by the Manchester offices of government departments for all but these statistical purposes.

Moreover, the detailed unemployment figures for the Cumbrian TTWAs are not to be found in the regional statistics published by the Department of Employment office in Newcastle, but in those put out by the department in Manchester. The top sheet from Newcastle – which gives the overall figure for the "north" – incorporates the Cumbrian figures beneficially without showing the source on subsequent pages of data.

The counties of Merseyside, Cleveland and Tyne and Wear remain worst affected. Numbers of registered unemployed claimants on the banks of the Mersey, Tyne, Wear and Tees total around 180,000 people – nearly a third of all the north's jobless. Male unemployment rates – the most accurate – range from 14.1 per cent in Newcastle to the 17.6-plus per cent of Middlesbrough, Sunderland, Hartlepool, Liverpool and South Tyneside.

Some business leaders in those areas say that such figures are "manageable" compared with three years ago when one in every four men was out of work, if not more. Moreover, there is a shortage of skills in many areas, including white-collar sectors.

However, matching job needs (unskilled and manual) to labour shortages (skilled and non-manual) is daunting when so many are involved.

All of that puts reality a long way from the politically comfortable unemployment rate of 6.3 per cent published last week for the UK as a whole.

UNEMPLOYMENT: THE NORTH'S 12 BLACK SPOTS RANKED BY MALE RATE

Travel-to-work area	Male rate	All
South Tyneside	21.9	16.5
Liverpool	19.7	14.3
Hartlepool	18.1	13.9
Sunderland	17.7	13.6
Middlesbrough	17.6	13.3
Rotherham & Mexborough	17.1	13.6
Morpeth & Ashington	16.4	12.1
Wirral & Chester	15.1	11.5
Barnsley	15.1	11.5
Wigan & St Helens	14.7	11.4
Doncaster	14.7	12.1
Whitby	14.6	10.6

UNEMPLOYMENT: THE NORTH'S 12 BLACK SPOTS RANKED BY MALE NUMBERS

Travel-to-work area	Men	All
Liverpool	50,957	67,633
Manchester	46,584	62,742
Newcastle upon Tyne	30,345	40,056
Sheffield	19,364	26,578
Sunderland	18,182	23,667
Leeds	16,864	23,124
Wirral & Chester	16,765	22,574
Wigan & St Helens	14,536	20,206
Middlesbrough	13,029	17,065
Hull	12,754	17,375
Bradford	12,227	16,334
Bolton & Bury	11,443	15,876

Non-durable outlays 'not linked to interest rates'

By Ralph Atkins

THE TREASURY'S argument that increased personal borrowing in the 1980s has sharpened the cooling effect of high interest rates on consumer spending is placed in doubt by an economic study published at the weekend.

Interest-rate rises have only a small direct impact on spending on non-durable goods, argue Mr John Muellbauer and Mr Anthony Murphy, of Nuffield College, Oxford. The key effects of high interest rates come via the housing market – but only after a considerable time.

Their study, published by Credit Suisse First Boston, the securities house, says economists and policy makers failed to predict the strength of consumer spending in the 1980s. An important mistake was to ignore the liberalisation of credit markets.

Looking at the period 1957 to 1988, the authors say: "We can find little support for the Treasury view that, with personal-sector debt now at record levels relative to income or to personal-sector liquid assets, interest-rate increases have a stronger dampening effect on non-durable expenditure. Our evidence is that these effects have always been small."

However, there is a strong link between interest rates and spending on household durables, such as washing machines and televisions.

The study says the impact of "illiquid wealth" such as owner-occupied housing has risen dramatically since the early 1960s. Although a slowdown in the housing market is apparent, it will be some time before the effects feed through.

"It will take a substantial fall in the UK's house-price-to-income ratio to bring consumer expenditure to a more sustainable level. Whether this can be accomplished without a great deal of politically unpopular pain and in time to begin the traditional relaxation of policy before the next general election must remain in grave doubt."

Public 'is still indifferent to National Savings'

By David Barchard

UK SAVERS remain indifferent to National Savings, according to figures published yesterday. They show a net outflow of £239.8m from National Savings during June, after a £232m net outflow during May.

The role of National Savings – the state-owned savings institution traditionally used by the Government to borrow funds from small savers – has been sharply reduced by the present Government's debt repayment programme and the policy of redeeming savings products when they mature.

However, the total balance of funds with National Savings is now £36.75bn – slightly above the level of £36.73bn a year ago. Repayments of capital by National Savings during June were £512m, while interest payments were £132m. New savings reached £414m.

The largest withdrawal was from fixed-interest certificates, which fell by £136m, although there was a net inflow of £86m into index-linked certificates.

A copy of this document, which comprises listing particulars in relation to Thornton Asian Emerging Markets Investment Trust plc (the "Company") given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance with Section 149 of that Act.

Application has been made to the Council of The Stock Exchange for all the Ordinary Shares and Warrants of the Company issued, and now being issued, to be admitted to the Official List. It is expected that the Ordinary Shares and Warrants will be admitted to the Official List, and that dealings in the Ordinary Shares (with Warrants attached) will commence, on Friday, 28th July, 1989.

The Directors of the Company (the "Directors"), whose names appear under "Directors, Managers and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Thornton Asian Emerging Markets Investment Trust plc

(Incorporated in England and Wales under the Companies Act 1985. Registered No.2340542)

Offer for subscription, sponsored by Cazenove & Co., of up to 100,000,000 Ordinary Shares of 10p each *(with Warrants attached)* at 100p per share payable in full on application

The Offer has been underwritten by Cazenove & Co. to the extent of 74,870,000 Ordinary Shares (with Warrants attached), in respect of all of which firm undertakings to subscribe or procure subscribers have been received by Cazenove & Co. Of these shares Dresdner Bank AG has undertaken to subscribe on behalf of certain of its customers for an aggregate amount of 48,475,000 Ordinary Shares (with Warrants attached) and KEB International Limited, a subsidiary of Korea Exchange Bank, has undertaken to subscribe or procure subscribers for an aggregate amount of 2,270,000 Ordinary Shares (with Warrants attached).

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£12,000,000	in Ordinary Shares of 10p each	up to £10,000,000

Indebtedness

As at the date of this document, the Company has no loan capital (including term loans) outstanding, or created but unissued, nor any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The application list for the Ordinary Shares (with Warrants attached) now being offered for subscription will open at 10.00 a.m. on 21st July, 1989 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.

PART I—DEFINITIONS

In this document the following words and expressions shall bear the following meanings except where the context otherwise requires:

"Asian-Pacific region"	Asia and Australasia
"ChinaVest II-A"	the proposed Delaware limited partnership, ChinaVest II-A, L.P., described in this document
"Company" or "TAEMIT"	Thornton Asian Emerging Markets Investment Trust plc
"Directors" or "Board"	the Board of Directors of the Company
"Investment Manager"	Thornton Management (Asia) Limited
"Manager"	Thornton Investment Management Limited
"Offer"	the offer for subscription of Ordinary Shares (with Warrants attached) contained in this document
"Offer Price"	100p per Ordinary Share
"Ordinary Shares"	the Ordinary Shares of 10p each of the Company issued and now being issued as described in this document
"PRC"	People's Republic of China
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Thornton Group"	Thornton & Co. Limited and its subsidiaries
"Tiger economies" or "Tigers"	Hong Kong, Singapore, South Korea and Taiwan
"Warrants"	the warrants to subscribe for Ordinary Shares on the terms and subject to the conditions set out in this document

TIMETABLE

Latest time and date for receipt of applications	10.00 a.m. on Friday, 21st July, 1989
Basis of allocation expected to be announced by	9.00 a.m. on Monday, 24th July, 1989
Renounceable letters of allotment expected to be despatched on	Thursday, 27th July, 1989
Dealings in the Ordinary Shares (with Warrants attached) expected to commence at	9.00 a.m. on Friday, 28th July, 1989
Dealings expected to commence in the Ordinary Shares and the Warrants separately	9.00 a.m. on Tuesday, 22nd August, 1989
Latest time and date for splitting renounceable letters of allotment	3.00 p.m. on Tuesday, 22nd August, 1989
Latest time and date for registration of renunciation	3.00 p.m. on Thursday, 24th August, 1989
Despatch of Ordinary Share certificates and Warrant certificates by	Friday, 6th October, 1989

Offer Statistics (assuming full subscription)

Number of Ordinary Shares in issue following the Offer	100,000,000
Number of Warrants in issue following the Offer	20,000,000
Offer Price per Ordinary Share	100p
Estimated net proceeds of the Offer	£96.36 million
Estimated net asset value per Ordinary Share	96.36p

Note: The estimated net proceeds of the Offer (assuming minimum subscription) would be £71.8 million and the estimated net asset value per Ordinary Share following the Offer would on this assumption be 95.73p.

DIRECTORS, MANAGERS AND ADVISERS

Directors

Richard Chicheley Thornton *(Chairman)*	33 Cavendish Square, London W1M 7HF
John Martin Cobb	No.1 London Bridge, London SE1 9QU
Gerhard Eberstadt	Jürgen-Ponto-Platz 1, 6000 Frankfurt am Main 11, Federal Republic of Germany
Ronald Furse	30 Old Burlington Street, London W1X 1LB
Geoffrey Andrew Liddell	33 Cavendish Square, London W1M 7HF
Leolin Price, Q.C.	10 Old Square, Lincoln's Inn, London WC2A 3SU
Zuji Tao	11/F Block E (Letter Box 208), Tongjian Buildings, Shennan Road Central, Shenzhen, Guangdong, People's Republic of China
Philip Tose	16th Floor New World Tower, 16-18 Queen's Road Central, Hong Kong
Herbert Wunderlich	Mainzer Landstrasse 11-13, 6000 Frankfurt am Main 1, Federal Republic of Germany

Secretary and Registered Office

Leslie Allan Aitkenhead, F.C.A.	33 Cavendish Square, London W1M 7HF

Sponsor and Stockbroker
Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Manager
Thornton Investment Management Limited,
33 Cavendish Square,
London W1M 7HF

Investment Manager
Thornton Management (Asia) Limited,
United Centre, 10th Floor,
95 Queensway, Hong Kong

Solicitors to the Company
Stephenson Harwood,
One, St. Paul's Churchyard,
London EC4M 8SH

Solicitors to the Sponsor
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB

Custodian and Bankers
The Hongkong and Shanghai Banking Corporation,
1 Queen's Road Central,
Hong Kong

Auditors and Reporting Accountants
Coopers & Lybrand,
Chartered Accountants,
Plumtree Court,
London EC4A 4HT

Receiving Bankers
The Royal Bank of Scotland plc,
Registrar's Department,
29 Gresham Street,
London EC2V 7HN

Registrars
The Royal Bank of Scotland plc,
Registrar's Department,
P.O. Box 435,
Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 4BR

THORNTON ASIAN EMERGING MARKETS INVESTMENT TRUST plc

Introduction

TAEMIT is a new investment trust which will invest in specially selected companies in the emerging markets of the Asian-Pacific region. The Directors believe that there exists considerable potential for above-average capital growth in these markets.

The Company will be managed by Thornton Investment Management Limited which will delegate day-to-day investment management to Thornton Management (Asia) Limited. Both companies are members of the Thornton Group, which has considerable experience of investment in the Asian-Pacific region.

Investment Policy

The investment policy will be to achieve above-average capital growth through investment in the emerging markets of the Asian-Pacific region. These emerging markets include the "Tiger" economies of Hong Kong, Singapore, South Korea and Taiwan, as well as Malaysia, Thailand, the Philippines, Indonesia, the People's Republic of China ("PRC") and India. Although the emphasis will be on these markets, the Company may also invest in other markets in the region including the more developed markets such as that of Japan. Investments in the more developed markets will not, however, normally be expected to exceed 15 per cent. of the Company's portfolio.

The Company's funds will normally be invested in equity and equity related investments which by their nature will be long term within the context of the life of the Company. Short term performance will not have a high priority in the construction of the portfolio. Where direct investment is made, the Investment Manager will seek to invest in companies which exhibit good growth potential and which have high calibre management; regular contact by the Investment Manager with the management of these companies will be a high priority. Investment may also be made indirectly through investment funds or limited partnerships; for example, in South Korea, Taiwan and India equity investment by foreign investors is generally only permitted indirectly through investment funds set up specifically for that purpose.

While there are limited opportunities to invest directly in the PRC, it is the policy of the Directors that the Company should seek opportunities for investment in businesses which trade with and in the PRC and the Directors are proposing to invest up to 15 per cent. of the Company's funds in a limited partnership ("ChinaVest II-A") which is in the course of being established for this purpose, further details of which are set out below.

It is the policy of the Directors that up to one quarter of the assets of the Company may be invested in interests in limited partnerships (including ChinaVest II-A) or in securities which are not traded on a stock exchange.

It is the Directors' intention that the initial portfolio will have a broad geographical spread within the Asian-Pacific region. The Directors will, however, be free to concentrate investment in particular countries if they believe that it is advantageous so to do.

The Asian-Pacific Region

Over the last twenty years the Asian-Pacific region has experienced the world's fastest economic growth, which has been accompanied by a rising share of world trade. The Asian-Pacific region, with over one half of the world's population and a rapidly rising income level, now ranks with North America, after the EEC, as one of the major economic trading areas of the world.

A number of factors have contributed to this rapid economic growth. The Directors consider that the pro-business attitude of most governments in the region and hard working and competitively priced labour forces in the emerging markets in the region have been among the most significant of these factors. In addition, comparatively high levels of domestic savings in many of the countries in the region have allowed their economies to finance high levels of investment.

Two events which have occurred since the mid 1980's have had a significant impact on the Asian-Pacific region. First, the price of crude oil reduced substantially from over US$28 per barrel in 1985 to under US$15 per barrel in 1986. While the price has recently stabilised at around US$17–19 per barrel, the fall represented a significant boost for the Asian-Pacific economies which, with few exceptions, are large oil importers. Secondly, the Yen appreciated rapidly from a level of about ¥260 to the US dollar in 1985 to approximately half that level as at 31st May, 1989. The Directors believe that the adverse effect of this appreciation on the competitiveness of Japanese exports has allowed the Tiger economies to make considerable inroads into sectors previously dominated by Japan. This has also led to a relocation of part of Japanese manufacturing capability to other countries in the Asian-Pacific region which enjoy lower manufacturing labour costs. These two events, coupled with a rise in Japanese domestic demand, have created an economic environment within which total exports from countries in the region have grown at an average rate of 17.5 per cent. over the past three years and which should, in the opinion of the Directors, provide the basis for the further long-term economic development of the region.

The Tigers

The four Tiger economies of Hong Kong, Singapore, South Korea and Taiwan have achieved average annual growth rates of 8.3 per cent., 5.6 per cent., 10.3 per cent. and 9.3 per cent. respectively over the past five years, placing them among the most vibrant economies in the world.

Hong Kong

Following the economic success of Hong Kong in recent years the territory faces competitive pressures as domestic wage levels exceed those prevailing in many other economies in the region. The Special Economic Zones in the PRC adjacent to Hong Kong do, however, provide access to cheap labour and a large and valuable hinterland for companies in the territory. In 1988, a survey by the Hong Kong Trade Development Commission estimated that between 0.85 and 1.2 million people were employed directly and indirectly in the PRC by Hong Kong manufacturing companies, with a further 0.5 million people employed there in manufacturing or service companies. This compares with a figure of 849,000 representing Hong Kong's domestic manufacturing labour force at the beginning of 1988. This relocation of productive capacity to the PRC has allowed Hong Kong to develop further its traditional role as a trading post and also its emerging role as a financial centre for the PRC. The recent political disturbances in the PRC have created uncertainty and have induced volatility on the Hong Kong stock exchange. The Directors believe that good opportunities for new equity investment have been created by the recent decline in the Hong Kong stockmarket; however, while the current uncertainties remain, they will adopt a cautious attitude towards direct investment in Hong Kong listed securities.

Singapore

Since independence, Singapore has enjoyed social and political stability and has developed a sound commercial infrastructure, which is evidenced by the presence of many large multi-national corporations. Whilst the industrial sector of Singapore remains competitive in certain high value-added industries, such as electronics, the Directors believe that the above factors, combined with Singapore's geographical location in relation to the emerging Tigers of Malaysia and Indonesia, will provide the impetus for the continued development and future growth of its commercial and financial sectors.

South Korea

South Korea is an example of successful debt-financed economic development. Extensive investment, often financed from abroad, coupled with low labour costs has led to rapid economic growth in heavy industries. The success of this can be seen from the fact that South Korea, having been the world's fourth largest debtor nation in 1985, is expected to emerge as a creditor nation in the early 1990's. The appreciation of the Korean currency against the US dollar over the past two years has reduced import costs, allowed faster development of the domestic economy, but has reduced Korea's price competitiveness. Continued high levels of industrial investment are aimed at keeping heavy and technology based industries competitive while lower value-added industries, such as textiles and footwear, are being relocated to other countries in the Asian-Pacific region where manufacturing costs are lower. The stockmarket currently remains closed to direct investment by foreigners. The Korean authorities have announced plans, however, to open the exchange to direct investment, although this is unlikely to occur before 1992. Foreign equity investment is at present permitted only through investment funds authorised for that purpose by the Korean authorities and through certain convertible bonds issued by Korean companies.

Taiwan

Taiwan's strong trading performance has enabled it to accumulate the second largest foreign exchange reserves in the world after Japan and has forced the Government to allow the New Taiwanese dollar to appreciate against the US dollar by approximately 50 per cent. since September 1985. In common with Japan, as Taiwan's currency has appreciated overseas investment by Taiwanese businesses has risen substantially with industrialists relocating part of the productive capability of lower value-added industries to other countries in the Asian-Pacific region.

High levels of investment and strong domestic consumption together with several important infrastructure projects are underpinning continued economic growth. The stockmarket remains closed to direct foreign investment but foreign investment may be made indirectly through investment funds authorised by the Taiwanese authorities.

The Emerging Tigers

As the four Tigers upgrade their technology levels and move in to higher value-added products and services, the countries of Malaysia, Thailand, the Philippines and Indonesia are attracting from the Tigers and Japan lower value-added industries and are also developing their own industries. A high proportion of the population is employed in the agricultural sector and these countries are still in the early stages of industrialisation. The stockmarkets of all four countries are also in an early stage of development.

Malaysia

Following the recession in 1985 induced by the collapse in commodity prices, the Government has fostered the development of the manufacturing sector aided by direct foreign investment. This, coupled with low domestic inflation and a depreciated currency, has left the Malaysian economy more competitive and less exposed to fluctuations in commodity prices.

Thailand

Thailand is evolving from a primarily agrarian-based to an industrialised economy. While this industrialisation has to date been based on light industries such as textiles and footwear, new industrial investment in the petrochemical and automotive sectors is broadening the economy. In order to support the increased economic activity large new infrastructure developments are being undertaken.

The Philippines

Under President Aquino, the Philippines' economy has recovered strongly from the depressed period towards the end of the Marcos era. The country still suffers, however, from political instability, onerous levels of foreign debt and an underdeveloped manufacturing sector, but there is a plentiful supply of cheap labour, foreign investment is increasing and export performance has improved.

Indonesia

The commodity-based economy of Indonesia experienced a recession during the mid 1980's similar to that of Malaysia. The particular reliance on petroleum exports and the high level of yen-denominated debt forced the authorities to impose a policy of severe austerity. A far reaching package of reforms aimed at fostering a stronger manufacturing sector and reducing reliance on oil revenues has been adopted.

The Sleeping Giants

Confined within centrally planned and closed economies, the vast countries of the PRC and India have in recent years become more open.

People's Republic of China

The political and social disturbances which have recently occurred in the PRC have brought into question the extent to which the country's economy, which has experienced an average annual growth rate of approximately 11.4 per cent. over the last 5 years, will be affected. In particular it is difficult to predict at this stage whether the PRC's economic modernisation programme, introduced eleven years ago, will continue and, if so, whether the programme, together with the PRC's abundance of labour, land and natural resources, will enable the economy to expand at rates similar to those achieved in the last decade.

There are limited opportunities for direct investment by foreigners in the PRC. There is, however, scope for exposure to the country by investing in businesses which trade with and in the PRC, including those companies in Hong Kong which have set up manufacturing facilities in the PRC, especially in its southern provinces, or which provide managerial and financial resources to businesses established there. The Directors believe that despite the recent disturbances there are likely to be good opportunities for investment in businesses which trade with and in the PRC and are proposing to invest up to 15 per cent. of the Company's assets in a limited partnership being formed for such purpose, further details of which are set out below in the section entitled "ChinaVest II-A".

India

India has recently experienced a sharp acceleration in its industrial production, providing evidence of the effectiveness of recent government reforms. These reforms, however, are at an early stage and the country still has major political, social and economic problems to overcome. Direct investment by foreigners in the Indian stockmarket is not permitted but indirect investment is possible through approved investment funds.

Japan

Japan has become the driving force behind the economic development of the Asian-Pacific region. In the course of the last four years increased spending on infrastructure projects and the liberalisation of the domestic market, together with the current low interest rates, have transformed Japan from an export-led into a powerful, domestically driven economy. The Directors consider that the growth in Japanese domestic demand is sustainable and that it will continue to support economic development in the rest of the Asian-Pacific region.

Special Considerations

Investment in a range of companies in the emerging markets involves a greater than normal degree of risk and involves special considerations, including those referred to below, which are not normally associated with investing in listed companies in the major securities' markets.

Many of the companies and investment funds in which the Company will invest will, by reason of the location in which they operate, be particularly exposed to the risk of political change and governmental action. Exchange control, tax and other regulations applicable to, or introduced in, any country in which the Company invests may affect the Company's income and the value and marketability of its investments. The sterling value of the assets of the Company will also be affected favourably or unfavourably by fluctuations in the exchange rate between the local currency and sterling.

Some of the emerging countries in which the Company will invest have laws and regulations which currently preclude or seriously restrict direct foreign investment in securities of their companies. Indirect foreign investment may, however, be permitted through investment funds which have been specifically authorised for the purpose. Because of the limited number of authorisations granted in South Korea and Taiwan, however, units or shares in most of the investment funds authorised in those countries currently trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and it should be appreciated that if the restrictions on direct foreign investment in the relevant country were significantly liberalised (as is foreshadowed in Korea) the premiums might be reduced, eliminated altogether or turned into a discount.

Trading volume on emerging country stockmarkets is generally substantially less than on the major stockmarkets. In addition, securities of certain companies in emerging countries tend to be less liquid and more volatile than securities of comparable companies in the developed markets. It may, therefore, be difficult to value and realise not only unquoted investments held by the Company in emerging markets but also quoted investments held in such markets. Companies in emerging countries are not generally subject to accounting, auditing and financial standards, practices and disclosure requirements comparable to those applicable to United Kingdom companies with the result that there may be less public information about a company in an emerging country than about a United Kingdom company. There is also generally less government supervision and regulation of foreign stock exchanges and stockbrokers.

Investment in the Company should be regarded as long term in nature and it should be noted that the market prices of the securities in which the Company invests may be the subject of above average volatility.

Structure

The Directors consider that an investment trust is an appropriate vehicle for investing in emerging markets. Although in many cases the share prices of investment trusts have tended historically to trade at a discount to their underlying net asset value, the fixed capital base of an investment trust allows the managers to take a long term view of its investments without being forced to acquire or dispose of investments in response to changes in demand for the investment trust's securities. The Directors consider that this is particularly important when investing in emerging markets.

The structure of the Company includes two particular features. First, the Articles of Association contain a provision for the Company to be wound up at some time between 31st March, 1996 and 31st October, 1996 unless shareholders at any time before 31st March, 1996, release the Directors from their obligation to convene the necessary meeting to approve the winding up of the Company. This will allow shareholders a specific opportunity to review, at the relevant time, whether the Company should continue, or be restructured, or wound up.

Secondly, under the Offer, Warrants will be issued, in the proportion of one Warrant for every five Ordinary Shares subscribed, which will entitle holders to subscribe, in respect of each Warrant, for one Ordinary Share at 100p at certain periods during the first six years of the life of the Company. A shareholder's initial investment in the Company will therefore be represented by two types of securities which the shareholder will be able to retain or, after Tuesday, 22nd August 1989, trade separately to suit his individual requirements. Further details of the Warrants are set out in Part III of this document.

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988.

Application has been made for the Ordinary Shares and Warrants to be admitted to the Official List of The Stock Exchange. In making investments the policy of the Company will be that:

(i) a reasonable spread of investments will normally be made, any new investment being limited to not more than 15 per cent. of the assets (before deducting borrowed money) of the Company and its subsidiaries at the time it is made, for which purpose any existing holding in the company concerned will be aggregated with a proposed new investment;
(ii) the realisation of any investment carried at Directors' valuation amounting to 50 per cent. or more of the Company's portfolio will be conditional upon shareholders' approval; and
(iii) legal or management control of underlying investments will not be taken by the Company.

The investment policy set out herein will, in accordance with the requirements of The Stock Exchange, be adhered to for at least three years following listing, unless a change is approved by shareholders in general meeting.

Dresdner Bank AG has undertaken to subscribe or procure subscribers under the Offer for 48,475,000 Ordinary Shares (with Warrants attached). It is the intention of the Directors to apply, as soon as practicable after the Offer, for the Ordinary Shares and Warrants to be listed on the Frankfurt Stock Exchange, although there can be no assurance that such a listing will be granted.

Directors

The Directors of the Company, all of whom are non-executive, are as follows:

Richard Chicheley Thornton, Chairman, aged 58, is the Chairman of Thornton & Co. Limited. Richard Thornton has specialised in investments in the Asian-Pacific region for more than 20 years with the Thornton Group, G.T. Management and, prior to that, with the Foreign and Colonial Management Group. He has extensive knowledge and experience of international investment markets especially in the Asian-Pacific region.

John Martin Cobb, aged 57, has been a stockbroker with Sheppards for 20 years. He was a director of that company for some time but is now Chairman of its asset management division with responsibility for its private client and pension fund business.

Gerhard Eberstadt, aged 55, is a deputy member of the board of Managing Directors of Dresdner Bank AG, Deputy Chairman of Thornton & Co. Limited and is a Director of various other companies in the Dresdner Bank Group.

Ronald Furse, aged 68, was formerly a director and Senior Vice-President of Fiduciary International S.A. He currently acts as an investment consultant with particular emphasis on South East Asia.

Geoffrey Andrew Liddell, aged 62, is a retired banker with many years' experience working overseas in developing countries and latterly in Hong Kong and Japan. He now works as a marketing consultant to the Thornton Group, particularly in Asia.

Leolin Price, Q.C., aged 65, is a practising London barrister. He is Chairman of the Institute of Child Health and of Child Health Research Investment Trust plc. His practice includes advisory and court work in Hong Kong and Singapore.

Zuji Tao, aged 64, is Managing Director of Shanghai Industrial Consultants, a non-governmental consultancy company.

Philip Tose, aged 43, is executive Chairman of Peregrine International Holdings Limited, the parent company of a financial services group which was founded in 1988. Before that he specialised in the securities markets of the Asian-Pacific region for more than 16 years with the Vickers da Costa Group.

Herbert Wunderlich, aged 48, is a Director of Thornton & Co. Limited and Managing Director of dresdnerbank investment management GmbH, a member of the Dresdner Bank Group.

Manager

The Manager of the Company is Thornton Investment Management Limited, which is a member of the Investment Management Regulatory Organisation (IMRO) and as such is regulated by IMRO in the conduct of investment business.

The Manager is a wholly-owned indirect subsidiary of Thornton & Co. Limited, which is itself a subsidiary of Dresdner Bank AG, the second largest commercial bank in the Federal Republic of Germany. The Thornton Group promotes and manages a range of investment funds, including offshore funds and UK authorised unit trusts, as well as managing individual portfolios of pension and charitable funds and private clients. The Thornton Group's funds under management as at 31st May, 1989 amounted to approximately £1,000 million.

Under the Management Agreement between the Manager and the Company the Manager will receive a quarterly fee payable in arrears of 0.375 per cent., equivalent to 1.5 per cent. per annum, (plus VAT) of the net asset value of the Company at the end of the relevant quarter. Where the Company invests in an investment fund, shareholders in the Company will bear not only their proportionate share of the expenses of the Company, including the fees of the Manager and operating expenses, but will also bear, indirectly, similar expenses of the underlying fund. However, the Management Agreement provides that no management fee will be charged by the Manager in respect of investments in investment funds managed by members of the Thornton Group or in any other investment funds (other than ChinaVest II-A) to the extent that the aggregate investment in such investment funds (other than ChinaVest II-A and investment funds managed by members of the Thornton Group) represents 25 per cent. or more of the assets of the Company. The Management Agreement also provides that the fee payable to the Manager will accrue only at the rate of 0.25 per cent. per annum on the value of the Company's investment in ChinaVest II-A. Further details of the Management Agreement are set out in paragraph 7 of Part IV.

Investment Manager

The Manager, while retaining responsibility for the management of the Company, has delegated its day-to-day investment management functions to Thornton Management (Asia) Limited. The fees and expenses of the Investment Manager will be discharged by the Manager.

The Investment Manager, which is also a subsidiary of Thornton & Co. Limited, is based in Hong Kong and provides investment advice in respect of 27 funds managed by the Thornton Group which specialise in the Asian-Pacific region. These include Thornton Tiger Trust, a UK authorised unit trust which invests in the Far East and Asia, principally in the Tiger economies, and Thornton Little Dragons Fund Limited, a Bermudian mutual fund company which invests in securities of small and medium sized companies in the Far East.

ChinaVest II–A

The Directors are proposing that the Company should become the sole limited partner in ChinaVest II–A, a Delaware limited partnership which is in the course of being established and through which the Company will commit to invest over a period of approximately five years up to 15 per cent. of the Company's assets. The policy of ChinaVest II–A will be to take advantage of the investment opportunities which flow across the political and economic boundaries of the PRC, Hong Kong and Taiwan and it will invest principally in the securities of unlisted Hong Kong and Taiwanese companies which have significant business involvement in, or trading links with, the PRC. It is intended that ChinaVest II–A should have a life of approximately seven years, to coincide with the planned life of the Company.

The general partner and manager of ChinaVest II–A will be ChinaVest Partners, a newly formed partnership of five individuals, of whom four are investment managers who specialise in managing and advising on investments connected with the PRC and Taiwan. These five individuals are responsible for the day-to-day management of the investments of ChinaVest N.V. and of TaiwanVest N.V., which are companies incorporated for the purpose of taking advantage of investment opportunities in the PRC and Taiwan respectively. ChinaVest Partners are proposing to establish another limited partnership ("ChinaVest II"), which will generally invest in parallel with ChinaVest II–A. The establishment of ChinaVest II–A is not, however, dependent upon the establishment of ChinaVest II. ChinaVest Partners will receive a management fee equal to 2.75 per cent. per annum of the capital committed by the Company to ChinaVest II–A. In addition, ChinaVest Partners will be entitled to a 20 per cent. share of the net capital gains on investments held by ChinaVest II–A.

The terms under which the Company will become a limited partner in ChinaVest II–A are currently being negotiated and there can be no assurance that such negotiations will be successfully concluded.

Dividend Policy

It is the policy of the Directors that the Company should pay a dividend each year. Because of the relatively low yield on securities in the markets in which the Company proposes to invest, it is unlikely that the level of dividend will be significant.

Dividends will be paid only to the extent that they are covered by income received from underlying investments, shares of profits of associated companies being unavailable for this purpose unless and until distributed to the Company. The distribution of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association.

Dividends will be paid annually in or about June in each year, commencing in 1990. In accordance with the rules applying to the approval of investment trusts for tax purposes, it is the Directors' intention that the Company will retain no more than 15 per cent. of its income from shares and securities in each year.

Offer for Subscription

The Company is offering for subscription an aggregate of up to 100 million Ordinary Shares and up to 20 million Warrants in units of 5 Ordinary Shares and 1 Warrant.

Of the Ordinary Shares and Warrants being offered for subscription, 74.87 million Ordinary Shares (with Warrants attached) have been underwritten by Cazenove & Co. and arrangements have been made for these to be subscribed in full as described further in paragraph 4 of Part IV.

Application has been made for the Ordinary Shares and Warrants now being offered for subscription to be admitted to the Official List of The Stock Exchange. The Ordinary Shares will rank for all dividends and other distributions declared, paid or made on the ordinary share capital after the date of this document.

Warrants

The first registered holders of Ordinary Shares will receive one Warrant for every five Ordinary Shares held. A Warrant will confer the right on either of the dates falling 42 days after (i) the date of the Annual General Meeting of the Company or (ii) the date of announcement of the half yearly results of the Company (or if either of such dates is not a business day, the next following business day) in either case in any of the years 1990 to 1994 inclusive or on the date 42 days after the date of the Annual General Meeting in 1995 (or if such date is not a business day, the next following business day) to subscribe for one Ordinary Share at the price of 100p, subject to adjustment in certain circumstances. The terms and conditions of the Warrants, which include provisions for protecting the "time value" of the Warrants in certain circumstances, are set out in Part III of this document.

Application has been made for the Warrants to be admitted to the Official List of The Stock Exchange and application will in due course be made for Ordinary Shares issued upon exercise of Warrants to be admitted to the Official List of The Stock Exchange. Such Ordinary Shares will rank for all dividends or other distributions declared, paid or made by reference to a record date on or after the relevant exercise date and will otherwise rank pari passu with the Ordinary Shares in issue on the relevant exercise date.

Potential holders of the Warrants should note that whilst warrants have the potential for greater capital appreciation than shares, the market price of warrants is liable to increased volatility and there is a greater risk that they may become valueless.

Taxation

The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from UK corporation tax on capital gains in respect of each accounting period for which such approval is granted.

The income of the Company will be subject to UK corporation tax after relief for allowable expenses and loan interest. Income arising from any overseas investments may be subject to foreign tax at the relevant country's applicable rate. Although the Company may be able to claim double taxation relief in respect of any such tax withheld, it may as a result not be able to offset the full amount of any advance corporation tax paid in respect of dividends to shareholders against any remaining mainstream corporation tax liability, so that the net income available for distribution for any period could be reduced.

Foreign taxes may be levied on capital gains made by the Company and, because such capital gains would not be taxable in the UK, foreign taxes will not be creditable against the Company's liability to mainstream corporation tax or to advance corporation tax and will therefore represent an absolute cost to the Company.

The Directors are advised that under present Hong Kong law and the current practice of the Hong Kong Inland Revenue Department with regard to the application of the relevant legislation, profits tax (currently at the rate of 16½ per cent.) is not expected to be assessed in respect of the profits arising from any disposal of the investments of the Company.

The Directors consider that the Company will not be a close company immediately following the Offer.

UK resident Shareholders and Warrantholders

Holders may, depending upon their personal circumstances, be liable to taxation in respect of gains arising from the sale or other disposal (including disposal upon a winding-up) of their Ordinary Shares or Warrants.

For the purpose of taxation of capital gains:—

(i) the cost of acquiring Ordinary Shares and Warrants will be apportioned between the Ordinary Shares and Warrants on the basis of their respective values at the date of allotment, which basis should not be significantly different from the ratio which the market value of the Ordinary Shares bears to the market value of the Warrants on the first day on which the Ordinary Shares and Warrants are dealt in separately: details of the appropriate market values will appear in the first report and accounts of the Company, which will be for the period ending 31st December, 1989;
(ii) the Warrants will not constitute "wasting assets" and on a disposal of Warrants (which includes abandonment) the full cost of those Warrants will be allowed in computing any gain or loss; and
(iii) a holder of Warrants who exercises the subscription rights conferred by the Warrants will not thereby be treated as disposing of the Warrants, but the cost thereof will be added to the amount paid on exercise of the rights in computing the cost of the new Ordinary Shares acquired upon such exercise.

Individual shareholders will be entitled, in respect of all dividends paid by the Company, to an associated tax credit equivalent to the advance corporation tax payable by the Company in respect of such dividends (currently 25/75ths of the amount of such dividend).

Non-UK resident Shareholders and Warrantholders

Non-UK resident holders will not normally be liable to UK tax on capital gains upon a sale or other disposal of their Ordinary Shares or Warrants, although they may be subject to foreign taxation in respect of capital gains.

Non-UK resident shareholders are not normally entitled to a repayment from the Inland Revenue of a portion of the tax credit relating to the dividends paid to them; any such entitlement will depend in general on whether there is a double taxation agreement or convention in force between the UK and their country of residence. Non-UK resident shareholders may also be subject to foreign taxation in respect of dividend income in their country of residence.

UK and non-UK resident investors are referred to paragraph 8 in Part IV of this document for further details of the taxation of dividends and distributions.

The above information is based upon the law and practice currently in force and is subject to changes therein.

Potential investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares or Warrants under the laws of their country of citizenship, domicile or residence.

Applications and Dealings

The procedure for application and an Application Form can be found at the end of this document. Applications must be for a minimum of 1,000 Ordinary Shares (with Warrants attached), or exact multiples thereof, and must be received by post or by hand at The Royal Bank of Scotland plc, Registrar's Department, 29 Gresham Street, London EC2V 7HN by not later than 10.00 a.m. on Friday, 21st July, 1989.

It is expected that the basis of allocation will be announced by 9.00 a.m. on Monday, 24th July, 1989 and that fully paid renounceable letters of allotment in respect of the Ordinary Shares (with Warrants attached) will be posted on Thursday, 27th July, 1989. It is expected that dealings in the Ordinary Shares (with Warrants attached) will commence in London at 9.00 a.m. on Friday, 28th July, 1989. Dealings prior to the receipt of letters of allotment will be at the risk of the applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. Letters of allotment in respect of the Ordinary Shares (with Warrants attached) will be renounceable until 3.00 p.m. on Thursday, 24th August, 1989 and dealings will be in multiples of five Ordinary Shares (with Warrants attached). In the case of renunciation, the letter of allotment (duly completed in accordance with the instructions contained therein) must be lodged with The Royal Bank of Scotland plc, Registrar's Department, 29 Gresham Street, London EC2V 7HN by 3.00 p.m. on Thursday, 24th August, 1989. After that time the Ordinary Shares and the Warrants will each be registered and transferable separately in any number by an instrument of transfer.

It is expected that dealings in the Ordinary Shares and Warrants separately will commence in London at 9.00 a.m. on Tuesday, 22nd August, 1989. After Thursday, 24th August, 1989 and pending the despatch of definitive certificates (which is expected to take place on or before Friday, 6th October, 1989) transfers of Ordinary Shares and of Warrants will be certified by the Registrars against delivery of the relevant letters of allotment.

PART II

Accountants' Report

The following is the text of a report received by the Directors and Cazenove & Co. from Coopers & Lybrand, Chartered Accountants, the auditors of the Company:—

The Directors
Thornton Asian Emerging Markets Investment Trust plc
and
Cazenove & Co.

Plumtree Court
London EC4A 4HT
14th July, 1989

Gentlemen,

We report that Thornton Asian Emerging Markets Investment Trust plc was incorporated on 27th January, 1989. The Company has not yet commenced business nor has it made up any accounts or declared, made or paid any dividends.

Yours truly,
Coopers & Lybrand
Chartered Accountants

PART III

Particulars of the Warrants

1 Subscription Rights

(a) A registered holder for the time being of a Warrant shall have rights ("Subscription Rights") on each date (a "Subscription Date") falling 42 days after each of (i) the date of the Annual General Meeting of the Company and (ii) the date of announcement of the half-yearly results of the Company (or, if either of such dates is not a business day, the next following business day) in any of the years 1990 to 1994 inclusive and on the date falling 42 days after the date of the Annual General Meeting of the Company in the year 1995 (or, if such date is not a business day, the next following business day) ("the Final Subscription Date") to subscribe in cash for one Ordinary Share at 100p ("the Subscription Price"), payable in full on subscription. The number and/or nominal amount of shares to be subscribed and the Subscription Price will be subject to adjustment as provided in paragraph 2 below. The Warrants registered in the name of a holder of Warrants will be evidenced by a Warrant certificate issued by the Company.

(b) In order to exercise the Subscription Rights, in whole or in part, a registered holder of a Warrant or Warrants must lodge the Warrant certificate or certificates (or such other evidence as the Directors may reasonably require as proof of the title of the person exercising the Subscription Rights) at the office of the registrars of the Company for the time being on or within 28 days prior to the relevant Subscription Date in any of the years 1990 to 1994 inclusive or on or within 28 days prior to the Final Subscription Date having completed the subscription notice on the reverse thereof (or accompanied by such other written notice as the Directors may approve) and specifying the number of Warrants in respect of which the Subscription Rights are exercised accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are exercised. Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable.

(c) Not earlier than twelve weeks nor later than six weeks before each Subscription Date the Company shall give notice to the holders of the outstanding Warrants reminding them of their Subscription Rights.

(d) Ordinary Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after and with effect from the relevant Subscription Date and certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the persons entitled thereto) not later than 28 days after the relevant Subscription Date to the person in whose name the Warrants are registered at the date of such exercise (or, if more than one, to one of them which shall be sufficient despatch for all) or (subject as provided by law) to such other persons as may be named in the form of nomination on the reverse of the Warrant. In the event of a holder of Warrants exercising the Subscription Rights conferred by some, but not all, of such Warrants, the Company shall at the same time as the issue of the share certificates issue a new Warrant certificate in the name of the registered holder for any balance of the Warrants with Subscription Rights remaining exercisable.

(e) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the relevant Subscription Date but subject thereto will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Ordinary Shares of the Company in issue at that date provided that on any allotment falling to be made pursuant to paragraphs 3(e) or (f) below the Ordinary Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid by reference to a record date prior to the date of allotment.

(f) Application shall be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List and the Company shall use all reasonable endeavours to obtain such admission not later than 14 days after the relevant Subscription Date.

(g) If at any time less than 25 per cent. of the Warrants originally issued by the Company remain outstanding, the Company shall be entitled on giving not less than 14 days' notice in writing to the holders of Warrants then outstanding to appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by him will exceed the Subscription Price, shall within the period of 14 days following the giving of such notice either exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the immediately preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 below) and sell in the market the Ordinary Shares acquired on such subscription or accept any offer available to holders of Warrants for the purchase of those Warrants. The trustee shall distribute *pro rata* the proceeds less the Subscription Price and such other costs and expenses to the persons entitled thereto as soon as practical after such sale, provided that entitlements of under £2 shall be retained for the benefit of the Company.

(h) Within 7 days following the Final Subscription Date the Company shall appoint a trustee who, within 14 days following that date, shall exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the Final Subscription Date and sell the Ordinary Shares acquired on such subscription, provided that in his opinion the proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the Subscription Price, and distribute *pro rata* the proceeds less the Subscription Price and such other costs and expenses to the persons entitled thereto within two calendar months of the Final Subscription Date, provided that entitlements of under £2 shall be retained for the benefit of the Company. Subject thereto, all Subscription Rights shall lapse 21 days after the Final Subscription Date.

2 Adjustment of Subscription Rights

(a) After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a record date) on or before the Final Subscription Date or upon any sub-division or consolidation of the Ordinary Shares on such date, the number and/or nominal amount of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights will be increased or, as the case may be, reduced in due proportion and the Subscription Price will be adjusted accordingly with effect from the record date for such capitalisation, sub-division or consolidation. The auditors for the time being of the Company (the "Auditors") shall certify in writing the appropriate adjustments and, within 28 days thereof, notice will be sent to each holder of a Warrant together with a new Warrant certificate in respect of the number of Ordinary Shares for which that holder is entitled to subscribe in consequence of such adjustment, fractional entitlements being ignored.

(b) If, on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer or invitation to which paragraph 3(e) applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if their Subscription Rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2) on which the same could have been exercised on the last preceding Subscription Date provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the Subscription Price shall be adjusted (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue at the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and (ii) in any other case, in such manner as the Auditors shall certify to be appropriate. Any such adjustment shall become effective as at the record date for the offer or invitation. For the purposes of this proviso "market price" shall mean the average of the mean of the quotations as derived from the Daily Official List of The Stock Exchange for one Ordinary Share for the five consecutive dealing days ending on the business day immediately preceding the day on which the market price is to be ascertained. The Company shall give notice to holders of the Warrants within 28 days of any adjustment made pursuant to this sub-paragraph (b) and, if appropriate, despatch new Warrant certificates in the manner described in sub-paragraph 2(a) above.

(c) If at any time an offer is made to all the holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(f) but not otherwise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

A = (B+C)−D

where:

A = the reduction in the Subscription Price;

B = the Subscription Price ruling immediately before the adjustment;

C = the average of the mean of the quotations as derived from the Daily Official List of The Stock Exchange for one Warrant for the ten consecutive stock exchange dealing days ending on the stock exchange dealing day immediately preceding the date of the adjustment; and

D = the value (as determined by the Auditors) of the consideration per Ordinary Share offered to Ordinary shareholders of the Company by the offeror pursuant to the offer referred to above,

provided that:

(i) the Auditors shall be entitled to make such further adjustments to the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(f) as they shall report to be appropriate to take account of the market value of the Warrants (which shall be deemed to be equal to the value provided by calculating "C" in the above formula), having regard, inter alia, to the time value of money;

(ii) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount and, if the application of the above formula would, in the absence of this sub-paragraph (ii), have reduced the Subscription Price to below the then par value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(f) but not otherwise shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of Warrants as if the Subscription Price had been adjusted without regard to this sub-paragraph (ii); and

(iii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

Any such adjustment shall become effective on the date on which the Company becomes aware that, as a result of such offer, the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid. The Company shall give notice to each holder of Warrants within 7 days of any adjustment made pursuant to this sub-paragraph and, if appropriate, despatch new Warrant certificates in the manner described in paragraph 2(a) above. Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the company shall be deemed to be the making of an offer for the purposes of this sub-paragraph 2(c).

(d) If an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), the provisions of paragraph 2(c) shall apply *mutatis mutandis* and any adjustment made pursuant to this sub-paragraph shall be calculated by reference to, and shall become effective on, the day immediately before the date of such order or resolution.

3 Other Provisions

So long as any Subscription Rights remain exercisable:—

(a) The Company shall not (except with the sanction of an extraordinary resolution of the holders of the Warrants):

(i) make any distribution of capital profits or capital reserves (including all surplus and accretions required to be credited to capital reserve by the Company's Articles of Association) except by means of a capitalisation issue in the form of fully paid Ordinary Shares or issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares;

(ii) make any such offer or invitation as is referred to in paragraph 2(b) above, on or by reference to a record date falling within the period of six weeks ending on any Subscription Date;

(iii) in any way modify the rights attached to its existing Ordinary Shares as a class (but nothing herein shall restrict the right of the Company to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital (as defined in Section 744 of the Companies Act 1985) which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Ordinary Shares;

(iv) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by Sections 130 to 134 (inclusive) or 170 of the Companies Act 1985) any share premium account or capital redemption reserve;

(v) amend the provisions of its Articles of Association to permit any distribution of capital profits or capital reserves (save as permitted under paragraph (a)(i) above); or

(vi) make any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves unless at the date of such allotment the Directors have authority for the purposes of Section 80 of the Companies Act 1985 to grant the additional rights to subscribe to which the holders of Warrants will by virtue of paragraph 2(a) hereof be entitled in consequence of such capitalisation.

(b) The Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(b) above if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount.

(c) The Company shall keep available for issue sufficient authorised but unissued ordinary share capital to satisfy in full all Subscription Rights remaining exercisable.

(d) The Company shall not make any such offer or invitation as is referred to in paragraph 2(b) above to the Ordinary Shareholders unless:

(i) where such offer or invitation involves the allotment of relevant securities (as defined in Section 80 of the Companies Act 1985) the Directors shall have authority for the purposes of the said Section 80 to allot any such securities required to be allotted to the holders of the Warrants in consequence of the Company making the same offer or invitation to the holders of the Warrants in accordance with paragraph 2(b) above; and

(ii) Section 89 of such Act shall have been disapplied to the extent (if any) necessary to enable the Company to make such offer or invitation to the holders of the Warrants and to effect allotment pursuant thereto.

(e) If at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his Subscription Rights on the terms on which the same could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 above) so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.

(f) If at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of the Warrants of such vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 60 days immediately following the date of such notice, to exercise his Subscription Rights on the terms on which the same could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 above). Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph (f).

(g) If an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant shall (if, in such winding up and on the basis that all Warrants then unexercised had been exercised in full and the subscription moneys therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares which, on such basis, would exceed in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraph 2 above), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he exercised his Subscription Rights in full and become the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Rights shall lapse on liquidation of the Company.

(h) The Company shall not change its accounting reference date from 31st December without giving to the holders of the Warrants not less than two months' notice thereof and shall not change such date so that there is not, or need not be, an Annual General Meeting in the calendar year 1995.

(i) The Company shall not offer or grant any options to subscribe for share capital or rights to convert securities into share capital of the Company except:—

(1) options to subscribe for or rights of conversion into shares of the Company at a price or effective price per share equivalent to at least 90 per cent. of the average of the middle market quotations ruling (based on The Stock Exchange Daily Official List) on each of the dealing days in the period of 14 days ended on the 14th day prior to the fixing of the terms of the grant of the option or the conversion rights; and

(2) in the case of issues of securities for a consideration other than cash.

4 Modification of Rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the Warrants. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that:

(i) the necessary quorum shall be the holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants;

(ii) every holder of a Warrant (present in person or by proxy) at any such meeting shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe;

(iii) any holder of a Warrant (present in person or by proxy) may demand or join in demanding a poll; and

(iv) at any adjourned meeting those holders of Warrants (present in person or by proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

5 Transfer and Transmission

(a) Each Warrant will be registered and will be transferable in whole or subject to paragraph 5(b) in part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors.

(b) No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

(c) Subject as provided in paragraphs 5(a) and 5(b) above, the provisions of the Articles of Association for the time being of the Company relating to the registration, transfer and transmission of Ordinary Shares and the issue of certificates shall *mutatis mutandis* apply to the Warrants.

6 Purchase of Warrants

The Company may from time to time purchase any Warrants in the market or at any price by tender (available to all holders of Warrants alike), private treaty or otherwise. Any Warrants so purchased shall forthwith be cancelled by the Company, which will not be at liberty to reissue the same.

7 General

(a) The Company will concurrently with the issue of the same to the holders of its Ordinary Shares send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and copies of all other documents issued by the Company to holders of Ordinary Shares.

(b) For the purposes of these Particulars, "extraordinary resolution of the holders of the Warrants" means a resolution proposed at a separate meeting of the holders of the Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.

(c) For the purposes of these Particulars, "business day" means a day (other than a Saturday) on which banks in London are open for business.

(d) If any of the events referred to in paragraphs 2(b), 3(f) and 3(g) above shall occur prior to the first Subscription Date, the paragraph concerned shall be read and construed in relation to that event as if the words "first Subscription Date" were substituted for the words "last preceding Subscription Date".

(e) Any determination or adjustment made pursuant to these Particulars by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the holders of the Warrants.

PART IV

Additional Information

1 The Company

The Company was incorporated in England and Wales with registered number 2340542 on 27th January, 1989 under the Companies Act 1985 (the "Act") as a public limited company with the name Moneyasset public limited company. On 16th June, 1989 the Company's name was changed to Thornton Asian Emerging Markets Investment Trust plc.

2 Share Capital

(a) On incorporation the authorised share capital of the Company was £100,000, divided into 100,000 ordinary shares of £1 each, of which two subscriber shares were in issue, nil paid.

(b) By an ordinary resolution passed on 23rd June, 1989 each ordinary share of £1 each of the Company was sub-divided into 10 Ordinary Shares of 10p each;

(c) On 23rd June, 1989, 499,980 Ordinary Shares (with 99,996 Warrants attached) were allotted and 4 Warrants were issued to the Manager against its irrevocable undertaking to pay up such shares and the subscriber shares as to one quarter of their nominal value by not later than 31st August, 1989 and, conditional on the Ordinary Shares being admitted to the Official List of The Stock Exchange, to pay the balance of the nominal amount and a capital contribution of 90p in respect of each of such shares and the subscriber shares on the date of such admission.

(d) On 23rd June, 1989 a certificate authorising the Company to commence business was issued pursuant to Section 117 of the Act.

(e) By an ordinary resolution passed on 14th July, 1989 the authorised share capital of the Company was increased from £100,000 to £12,000,000 by the creation of an additional 119,000,000 Ordinary Shares.

(f) By a special resolution passed on 14th July, 1989:

(i) the Directors were authorised generally and unconditionally pursuant to and in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that Section) of the Company up to an aggregate nominal amount of £11,950,000 pursuant to the Offer and on the exercise of the Warrants in each case prior to 13th July, 1994 save that the Company may, before the expiry of such authority, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred thereby had not expired; and

(ii) the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred by sub-paragraph (f)(i) above as if Section 89(1) of the Act did not apply to any such allotments provided that such power will expire on 13th July, 1994 save that the Company may, before the expiry of such power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.

(g) At the date of this document the issued share capital of the Company is £50,000 divided into 500,000 Ordinary Shares all of which are beneficially owned by the Manager. The Manager will transfer 130,000 of these Ordinary Shares (with Warrants attached) to satisfy the applications intended to be made by the Directors and their family trusts referred to in paragraph 6(b) below. The balance of 370,000 Ordinary Shares (with Warrants attached) will be used to satisfy applications in respect of those Ordinary Shares (with Warrants attached) which have not been underwritten.

(h) Save as disclosed herein, there has been no issue of shares or loan capital of the Company and no such issue is proposed.

(i) Save as disclosed herein, no ordinary share capital or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

(j) Save as disclosed herein, no material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made by the Company within one year of the date hereof without the prior approval of shareholders in general meeting.

(k) Save as disclosed herein, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company.

(l) Save as disclosed in paragraph (f)(ii) above, the provisions of Section 89 of the Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued shares. Save as aforesaid, no pre-emption rights apply in respect of the Ordinary Shares.

3 Summary of the Memorandum and Articles of Association of TAEMIT

(a) The Memorandum of Association of the Company provides that its principal object is to carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association a copy of which is available for inspection at the addresses set out in paragraph 11 below.

(b) The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:—

(1) **Rights attaching to the Ordinary Shares**

(i) Transfer of shares

The Ordinary Shares of the Company are in registered form. The Articles of Association do not provide for bearer shares. Shares may be transferred by instrument of transfer in the usual common form or in any other form approved by the Directors. Instruments of transfer must be signed by or on behalf of the transferor and, if the relevant shares are partly paid, by or on behalf of the transferee. The Directors may in their discretion, and without assigning any reason therefor, decline to register a transfer of any Ordinary Share which is not fully paid. The Directors may also decline to register a transfer unless the instrument of transfer duly stamped is deposited at the Company's registered office or such other place as the Directors may appoint accompanied by the certificate for the Ordinary Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; the instrument of transfer is in respect of only one class of share; and the instrument of transfer is not in favour of more than four transferees.

(ii) Voting

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles of Association, on a show of hands every member holding Ordinary Shares of the Company who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every member present as aforesaid or by proxy shall have one vote for every Ordinary Share held by him.

No member shall be entitled to vote at any General Meeting if any call or other sum immediately payable by him in respect of shares in the Company remains unpaid or if a member has been served by the Directors with a Direction Notice in the manner described in the paragraph headed "Restrictions on Shares".

(iii) Dividends

Dividends are to be paid to the members according to their rights and interests in the profits. No dividend shall be payable except out of the profits of the Company available for dividend under the provisions of the Act nor in excess of the amount recommended by the Directors. Profits arising from the sale and realisation of capital assets will not be available for distribution (as defined in Section 263(2) of the Act) to members. Any dividend unclaimed after a period of twelve years after it became payable may be forfeited by the Directors and after such forfeiture shall revert to the Company.

(iv) Distribution of Assets on Liquidation

Subject to the rights of any shares which may be issued with any special rights or privileges (no such shares currently being in issue), on a winding up any surplus assets will be divided between the holders of the Ordinary Shares according to the respective number of Ordinary Shares held by them in accordance with the Articles of Association and the Insolvency Act 1986. On a winding-up, the liquidator may, with the sanction of an extraordinary resolution, divide the Company's assets among the members *in specie* or kind or vest the same in trustees for the benefit of members.

(v) Variation of rights

Subject to the provisions of the Act, the holders of any class of shares may, with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, consent on behalf of all the holders of shares of the class to the variation or abrogation of the rights attaching to shares of that class. To any such separate meeting all the provisions of the Articles of Association as to general meetings shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

(vi) Restrictions on Shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "Direction Notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the Direction Notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall, except in certain special circumstances, be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares the subject of the transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(vii) Untraced Shareholders

The Company shall be entitled after giving written notice to The Stock Exchange to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission on death or bankruptcy if, during a period of twelve years, at least three dividends have been paid in relation to such shares during those twelve years and no dividend has been claimed and within a further period of three months from the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company has not received any communication as to the existence or whereabouts of the member or the person entitled by such transmission.

(2) **Alteration of share capital**

The Company may, by ordinary resolution:—

(i) increase its capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or

(iii) sub-divide its shares or any of them into shares of smaller amount; or

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

The Company may, by special resolution, reduce its share capital and any capital redemption reserve and any share premium account in any manner authorised by the Act.

(3) **Purchase of own shares**

The Company may, subject to the sanction of an ordinary or special resolution as the case may require and of an extraordinary resolution passed at a separate class meeting of the holders of any class of convertible shares (no such shares currently being in issue), purchase its own shares (including redeemable shares) in any manner authorised by the Act.

(4) **Directors**

(a) Each of the Directors shall be paid a fee for his services at such a rate (if any) as the Board shall determine provided that the aggregate of all such fees (excluding amounts payable for executive or extra or special services) shall not exceed £45,000 per annum or such higher amount as may from time to time be determined by Ordinary Resolution of the Company. Such remuneration shall be deemed to accrue from day to day.

(b) The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or in connection with the performance of their duties. In addition, any Director rendering special services or travelling or residing abroad on behalf of the Company shall be paid such remuneration and be entitled to such expenses as the Board may determine.

(c) A Director who, to his knowledge, is in any way, whether directly or indirectly, interested in any transaction with the Company shall declare the nature of his interest in accordance with the Act.

(d) A Director shall not, as a Director, vote and shall not be counted in a quorum in respect of any transaction in which he has a material interest, except that this prohibition shall not apply to:

(i) the giving to any Director of any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or its subsidiaries; or

(ii) the giving by the Company or any of its subsidiaries of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; or

(iii) any contract by a Director to underwrite shares or debentures or other obligations of the Company or any other company which the Company may promote or be interested in; or

(iv) any transaction affecting any other company in which he is not materially interested save as a director or employee of such other company. For this purpose, the interest of a Director shall not be treated as material to the extent that he is not the holder of or beneficially interested in one per cent. or more of any class of shares or debentures of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company; or

(v) any act or thing done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes; or

(vi) any matter connected with an employees' share scheme or any share option scheme, other than the allocation to him of any share or the grant to him of any option over any share or any other matter concerning his individual participation in any such scheme.

(e) Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director, or may act in a professional capacity for the Company on such terms as the Board may determine. No Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any contract or arrangement entered into by the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such transaction by reason of such Director holding that office.

(f) Notwithstanding Section 293 of the Act, a Director aged 70 or more shall be capable of being appointed a Director and shall not be required to retire by reason of his age.

(g) A Director shall not be required to hold any qualification shares.

(h) At each Annual General Meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. However, no Director holding any office as an executive Chairman or as Managing or Joint Managing Director shall be subject to retirement by rotation or taken into account in determining the number of Directors to retire. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for re-election. The Company may from time to time by ordinary resolution appoint any person to be a Director and may also determine in what rotation such Director is to retire from office. The Directors may from time to time appoint one or more Directors but any Director so appointed shall retire at the next Annual General Meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

(5) Capital Reserve

The Directors shall establish a capital reserve (the "capital reserve") and carry to the credit of the capital reserve or apply in providing for depreciation or contingencies all capital appreciation arising on the sale, transposition, payment off or revaluation of any investments or other capital assets of the Company in excess of the book value thereof. Any loss realised on the sale, repayment or payment off of any investments or other capital assets may be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall be transferred to revenue account or be regarded as or treated as profits of the Company available for distribution (as defined in Section 263(2) of the Act) or be applied in paying dividends on any shares in the Company's capital. The Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other.

(6) Borrowing Powers

The Board may exercise all the powers of the Company to borrow money or to mortgage or charge all its undertaking, property and uncalled capital and, subject to the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, but it shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries, so far as by such exercise it can secure) that the aggregate principal amount from time to time remaining undischarged of all borrowings of the Company and its subsidiaries (exclusive of intra-Group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the aggregate of the issued and paid up share capital and the amount standing to the credit of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and the profit and loss account as shown in the latest audited balance sheet of the Company and its subsidiaries.

4 Underwriting Arrangements

By an Underwriting Agreement dated 14th July, 1989 between (1) the Company (2) Thornton & Co. Limited and (3) Cazenove & Co., Cazenove & Co. have agreed, subject to the admission of the Ordinary Shares (with Warrants attached) issued under the Offer to the Official List of The Stock Exchange becoming effective in accordance with the rules of The Stock Exchange not later than 18th August, 1989, to underwrite the issue of 74.87 million Ordinary Shares (with Warrants attached) in respect of all of which Cazenove & Co. have received firm undertakings from other persons to subscribe or procure subscribers. Under the agreement the Company will pay to Cazenove & Co. a commission of 3.1 per cent. of the aggregate subscription price of the Ordinary Shares underwritten (out of which Cazenove & Co. will pay to those persons (including Dresdner Bank AG) who have undertaken with Cazenove & Co. to subscribe or procure subscribers for the Ordinary Shares being underwritten commissions of 3 per cent. of the subscription price of the Ordinary Shares to which the undertakings related), a fee for its services in respect of the Offer and an amount equal to the legal expenses incurred by Cazenove & Co., in all cases together with value added tax where applicable. All applications received under the Offer pursuant to the undertakings referred to above will be accepted in full. The Underwriting Agreement provides that if applications under the Offer are not duly received pursuant to any of the undertakings referred to above but applications are received under the Offer (otherwise than pursuant to such undertakings) for a number of Ordinary Shares which exceeds the number of Ordinary Shares available generally in the Offer, the number of Ordinary Shares for which Cazenove & Co. would otherwise be liable to subscribe or procure subscribers in order to remedy the shortfall arising under such undertakings will be reduced by the amount of such excess. Under the agreement, which may be terminated by Cazenove & Co. in certain circumstances, warranties and indemnities have been given to Cazenove & Co. by the Company and Thornton & Co. Limited.

5 Commission to intermediaries

The Company will pay, out of the gross proceeds of the Offer received by it, a commission to intermediaries at the rate of 1.75 per cent. (together with value added tax where applicable) of the total subscription price of Ordinary Shares (with Warrants attached) issued under the Offer pursuant to applications bearing their stamp but no such commission will be payable in respect of applications which give rise to an entitlement to commission from Cazenove & Co. under the arrangements referred to in paragraph 4 above.

6 Directors' and other interests

(a) At the date of this document neither the Directors nor their immediate families have any interest in the Ordinary Shares or Warrants which is required to be shown in the register maintained under the provisions of Section 325 of the Act. The following Directors have expressed an intention to make applications under the Offer for the number of Ordinary Shares (with Warrants attached) set opposite their respective names below, all of which shares will be held beneficially, and it is intended that these applications will be met in full.

Director	Ordinary Shares (with Warrants attached)
R. C. Thornton	15,000
J. M. Cobb	5,000
G. A. Liddell	5,000
L. Price Q.C.	5,000

In addition, Mr. P. Tose has indicated that a company owned by a trust of which Mr. P. Tose and his family are the beneficiaries intends to apply for 100,000 Ordinary Shares (with Warrants attached) and it is intended that this application will be met in full.

(b) (i) Mr. R. C. Thornton and Mr. L. Price are shareholders of Thornton & Co Limited. Mr. R. C. Thornton is the Chairman of Thornton & Co. Limited and Mr. G. Eberstadt and Mr. H. Wunderlich, who are both employed by companies in the Dresdner Bank Group, are directors of Thornton & Co. Limited.

(ii) The Manager and the Investment Manager are subsidiaries of Thornton & Co. Limited. Mr. R. C. Thornton and Mr. H. Wunderlich are directors of each of the Manager and Investment Manager.

(iii) The Manager has undertaken on behalf of certain of its clients to subscribe for 8,650,000 Ordinary Shares (with Warrants attached). It will receive from Cazenove & Co. a 3 per cent. commission in respect of such Ordinary Shares (with Warrants attached) subscribed for under the arrangements detailed at paragraph 4 above, all of which commission will be passed on to its clients.

(iv) Save as disclosed herein, no Director of the Company has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company.

(c) So far as the Directors are aware, immediately following the issue of Ordinary Shares under the Offer, assuming minimum subscription, it is not expected that any person will, directly or indirectly, be interested in 5 per cent. or more of the issued Ordinary Shares.

(d) There are no service contracts between the Company and any of its Directors nor are any such contracts proposed.

(e) Mr. R. C. Thornton, Mr. G. Eberstadt, Mr. G. A. Liddell and Mr. H. Wunderlich have agreed to waive their entitlement to directors' fees. It is estimated that the aggregate fees of the remaining Directors for the Company's first financial period ending 31st December, 1989 will be £12,500.

7 Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since its incorporation and are or may be material:—

(i) the Underwriting Agreement referred to in paragraph 4 above;

(ii) the Management Agreement dated 14th July, 1989 between the Company (1) and the Manager (2) under which the Manager has agreed to provide management services to the Company for a quarterly management fee of 0.375 per cent. of the Company's assets under management (as defined therein) at the end of the relevant quarter. The agreement may not be terminated, otherwise than in certain special circumstances, except by either party giving to the other not less than twelve months' written notice to expire on 31st July, 1992 or at any time thereafter; and

(iii) a Custodian Agreement dated 14th July, 1989 between the Company (1) and The Hongkong and Shanghai Banking Corporation ("HSBC") (2) under which HSBC was appointed custodian of the assets of the Company.

8 Taxation

Under current UK taxation legislation, no withholding tax will be deducted from dividends paid by the Company. The Company is required to make an advance payment of corporation tax ("ACT") when a dividend is paid, being a payment calculated by reference to the basic rate of income tax. The current ACT rate is 25/75th of the dividend paid. Consequently, the ACT relating to any dividend currently equals 25 per cent. of the total of the cash dividend and the ACT.

A UK resident individual shareholder receives, imputed to any cash dividend received, a tax credit which is equal to the amount of ACT paid by the Company in respect of the dividend. The tax credit will satisfy in full a UK resident individual shareholder's liability to basic rate tax on the aggregate of the dividend and the tax credit leaving the individual shareholder liable to the higher rate of tax only (if appropriate). If the individual so resident is not liable to income tax, the tax credit may be repaid, in whole or in part, by the Inland Revenue.

A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received and the dividend and associated tax credit will represent franked investment income in the hands of such a shareholder.

Shareholders in the Company who are not resident in the UK may be entitled to a payment from the Inland Revenue of a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident shareholders may also be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation provisions (if any) applying between his country of residence and the UK.

9 Stamp duty and stamp duty reserve tax

(a) On the issue of Renounceable Letters of Allotment, no stamp duty or stamp duty reserve tax will be payable.

(b) A purchaser of rights to Ordinary Shares (with Warrants attached) represented by a renounceable letter of allotment on or before the latest time for registration of renunciation will be liable to stamp duty reserve tax at the rate of 50 pence per £100 or part thereof of the actual consideration paid.

(c) The transfer on sale of a renounceable letter of allotment after the latest time for registration of renunciation will be subject to *ad valorem* stamp duty (or, if an unconditional agreement to transfer the renounceable letter of allotment is not completed by a duly stamped transfer within 2 months, stamp duty reserve tax) at the rate of 50 pence per £100 or part thereof of the actual consideration paid.

(d) No further stamp duty reserve tax will be payable on the registration of renounced renounceable letters of allotment.

(e) Transfers of Ordinary Shares or Warrants when detached will be liable to *ad valorem* stamp duty in the usual way at the rate of 50 pence per £100 or part thereof of the actual consideration paid.

10 Miscellaneous

(a) The total expenses of or incidental to the Offer, together with the costs of the proposed listing of the Ordinary Shares and the Warrants on the Frankfurt Stock Exchange, are payable by the Company and are estimated to amount to approximately £3.638 million (excluding value added tax) on the assumption that the Offer is fully subscribed and on the basis that commission is payable to intermediaries, in respect of those Ordinary Shares (with Warrants attached) the subscription of which has not been underwritten, at 1.75 per cent. on the subscription monies for such shares. Such costs and expenses are estimated to amount to approximately £3.2 million (excluding value added tax) if the Offer is only subscribed to the extent of the Ordinary Shares (with Warrants attached) the subscription of which has been underwritten.

(b) The Company is not involved in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

(c) Save as disclosed herein, there has been no significant change in the financial or trading position of the Company since its incorporation.

(d) Save for its entry into the material contracts summarised in paragraph 7 above and the issue of a preliminary prospectus on 4th July, 1989, the Company has not commenced business and has not and has never had any subsidiaries or employees.

(e) *It is the intention of the Directors to form a wholly-owned subsidiary of the Company*, the principal activity of which will be dealing in securities.

(f) It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under Section 266 of the Companies Act 1985 and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that Section.

(g) Coopers & Lybrand, who have been the only auditors of the Company since its incorporation, have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report in the form and context in which it is included.

(h) *Thornton & Co. Limited is the promoter of the Company. Save as disclosed herein*, no amount or benefit has been paid or given to the promoter and none is intended to be paid or given.

(i) Cazenove & Co. is a member firm of The Securities Association and of The Stock Exchange.

(j) The issue price of 100p per Ordinary Share represents a premium of 90p per share over the nominal value of an Ordinary Share.

11 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH and at the registered office of the Company at 33 Cavendish Square, London W1M 7HF during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including Monday, 31st July, 1989:—

(i) the *Memorandum and Articles of Association* of TAEMIT;
(ii) the material contracts of TAEMIT referred to in paragraph 7 of this Part IV;
(iii) these Listing Particulars;
(iv) the report of Coopers & Lybrand and their written consent referred to in paragraph 10(g) above.

Dated 14th July, 1989.

PART V

Terms and Conditions of Application

(i) The contract created by the acceptance of applications under the Offer will be conditional upon (i) the admission of the Ordinary Shares (with Warrants attached) to the Official List of The Stock Exchange by not later than 18th August, 1989 and (ii) the Underwriting Agreement referred to in paragraph 4 in Part IV becoming unconditional and not being terminated in accordance with its terms.

(ii) The right is reserved to present all cheques and banker's drafts for payment on receipt by The Royal Bank of Scotland plc and to retain renounceable letters of allotment and surplus application moneys pending clearance of successful applicants' cheques. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application moneys or, as the case may be, the balance thereof will be returned without interest by returning the applicant's(s') cheque or banker's draft or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application moneys will be retained by The Royal Bank of Scotland plc in a separate account.

(iii) By completing and delivering an Application Form, you:

(a) offer to subscribe the number of Ordinary Shares (with Warrants attached) specified in your Application Form (or such lesser number for which your application is accepted) at the Offer Price and on the terms of, and subject to the conditions set out in, this document, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;

(b) agree that, in consideration of the Company agreeing that it will not prior to 28th July, 1989 offer for subscription any Ordinary Shares (with Warrants attached) to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 18th August, 1989 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, The Royal Bank of Scotland plc, of your Application Form;

(c) warrant that the remittance accompanying your Application Form will be honoured on first presentation;

(d) agree that, in respect of those Ordinary Shares (with Warrants attached) for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to The Royal Bank of Scotland plc;

(e) agree that any renounceable letter of allotment and any moneys returnable to you may be retained by the The Royal Bank of Scotland plc pending clearance of your remittance and that such moneys will not bear interest;

(f) authorise The Royal Bank of Scotland plc to send a fully paid renounceable letter of allotment in respect of the number of Ordinary Shares (with Warrants attached) for which your application is accepted and/or crossed cheque for any moneys returnable, by post to the address of the person (or the first-named person) named as an applicant in the Application Form;

(g) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and undertake to enclose your power of attorney or a copy thereof certified by a solicitor, where this is required by the "Notes on how to complete the Application Form";

(h) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts;

(i) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;

(j) authorise The Royal Bank of Scotland plc or Cazenove & Co. or any person authorised by The Royal Bank of Scotland plc or Cazenove & Co., as your agent, to do all things necessary to effect registration of any Ordinary Shares and Warrants subscribed by you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Ordinary Shares (with Warrants attached) has been renounced and authorise any representative of The Royal Bank of Scotland plc or of Cazenove & Co. to execute any renounceable or other document required therefor;

(k) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained therein;

(l) confirm that you have reviewed the restrictions contained in paragraph (v) below and warrant as provided therein;

(m) agree that, without prejudice to any other rights to which you may be entitled, you will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application;

(n) all documents and cheques sent by post, by or on behalf of the Company or Cazenove & Co., will be sent at the risk of the person(s) entitled thereto under the Offer; and

(o) confirm that you have read and complied with paragraph (iv) below.

(iv) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It *is the responsibility of any person outside the UK wishing to make an application hereunder* to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

(v) The Ordinary Shares and Warrants have not been and will not be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any U.S. Person. Persons subscribing for Ordinary Shares (with Warrants attached) (including renouncees submitting renounceable letters of allotment *for registration) shall be deemed, and (unless the Company is satisfied that Ordinary Shares* can be allotted without breach of United States securities laws) persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required, to represent and warrant to the Company that they are not U.S. Persons and that they are not subscribing for such Ordinary Shares or Warrants for the account of any U.S. Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to any U.S. Person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "U.S. Person" means any person who is a citizen or resident of the United States, a corporation, *partnership or other entity created or organised in or under the laws of the United States* or an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

(vi) The basis of allocation will be determined by Cazenove & Co. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form.

Availability of Listing Particulars

Copies of this document and the Application Form are available for collection from The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2 for *two business days following the date of publication of this document and until the Offer closes* from the registered office of the Company and from:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Thornton Investment Management Limited,
33 Cavendish Square,
London W1M 7HF

The Royal Bank of Scotland plc,
Registrar's Department,
29 Gresham Street,
London EC2V 7HN

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. Insert in Box 1 (in figures) the number of Ordinary Shares (with Warrants attached) for which you are applying.
Applications must be for a minimum of 1,000 Ordinary Shares (with Warrants attached) or in multiples thereof.

2. Insert in Box 2 (in figures) the amount of your cheque or banker's draft.
This should be equal to the number of Ordinary Shares (with Warrants attached) for which you are applying multiplied by the Offer Price of 100p.

3. Insert your full name and address in BLOCK CAPITALS in Box 3.

4. Sign and date the Application Form in Box 4.
The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised so to do, but the power(s) of attorney (or a *copy(ies) thereof duly certified by a solicitor*) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

5. You must pin a single cheque or banker's draft to your completed Application Form in Box 5. Your cheque or banker's draft must be payable to "The Royal Bank of Scotland plc" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".
No receipt will be issued for this payment, which must be solely for this application. Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the U.K., the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right-hand corner.
An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 3.
A separate cheque or banker's draft must accompany each application.

6. You may apply jointly with up to three other persons.
You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).
You must send the completed Application Form by post, or deliver it by hand, to The Royal Bank of Scotland plc, Registrar's Department, 29 Gresham Street, London, EC2V 7HN, so as to arrive no later than 10.00 a.m. on 21st July, 1989.
If you post your Application Form you are recommended to use first class post and to allow at least two business days for delivery.

THORNTON ASIAN EMERGING MARKETS INVESTMENT TRUST PLC

Offer for subscription sponsored by Cazenove & Co. of up to 100,000,000 Ordinary Shares (with Warrants attached) at 100p per share, payable in full on application.

APPLICATION FORM

IMPORTANT: BEFORE COMPLETING THIS FORM, YOU SHOULD READ THE ACCOMPANYING NOTES

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5

I/We offer to subscribe for — *see note 1* Ordinary Shares (with Warrants attached) **1**

in Thornton Asian Emerging Markets Investment Trust plc on and subject to the Terms and Conditions of Application set out in the listing particulars dated 14th July, 1989 and subject to the Memorandum and Articles of Association of the Company

and I/we attach a cheque or banker's draft for the amount payable of — £ *see note 2* **2**

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	FORENAME(S) (IN FULL) *see note 3*	**3**
SURNAME		
ADDRESS (IN FULL)		
	POSTCODE	

DATED 1989	SIGNATURE *see note 4*	**4**

5 PIN YOUR CHEQUE OR BANKER'S DRAFT HERE FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "THE ROYAL BANK OF SCOTLAND plc" AND CROSSED "NOT NEGOTIABLE"

BOXES 6 AND 7 MUST BE COMPLETED ONLY BY THE JOINT APPLICANT(S)
(see notes 6 and 7)

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE	**6**
FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)	
SURNAME	*SURNAME*	SURNAME	
ADDRESS (IN FULL)	ADDRESS (IN FULL)	ADDRESS (IN FULL)	
POSTCODE	POSTCODE	POSTCODE	
SIGNATURE	SIGNATURE	SIGNATURE	**7**

Intermediaries claiming commission should stamp the box below.

For Official Use Only

STAMP OF INTERMEDIARY	i.	ALLOTMENT NUMBER
	ii.	*ORDINARY SHARES* (with Warrants attached) ALLOTTED
SRO OR RPB AND MEMBERSHIP NUMBER	iii.	AMOUNT RECEIVED £
VAT No.	iv.	AMOUNT PAYABLE £
SHARES ALLOCATED	v.	AMOUNT RETURNED £
COMMISSION CALCULATED	vi.	CHEQUE NUMBER

هكذا من الأصل

DIARY DATES

Trade Fairs and Exhibitions: UK

Current
Gift Fair (0282 867153) (until July 20) Harrogate

July 17-19
Mobile Satellite Communications Exhibition (01-868 4466) Queen Elizabeth II Conference Centre, London

July 20-23
Antiques and Fine Arts Fair (061-832 6779) G-Mex Centre, Manchester

July 25-30
British Music Fair (01-730 7852) Olympia

August 13-17
Gifts Fair (0473 622093) Hove Town Hall

August 17-20
Antiques Fair (04447 2514) Kensington Town Hall

August 26-28
Town and Country Festival (0203 696069) Kenilworth

September 3-6
Top Drawer Gift and Decorative Accessories Exhibition (01-727 1929) Kensington Exhibition Centre

September 5-8
International Carpet Fair (021-705 6706) Exhibition Centre, Harrogate

September 5-8
Offshore Europe Exhibition and Conference (01-549 5831) Aberdeen

September 7-9
Money Show (01-940 2344) NEC, Birmingham

September 10-13
International Menswear MAB (01-437 8754) Earls Court

September 12-23
Antiques Fair (04447 2514) Chelsea Old Town Hall

Overseas Exhibitions

July 18-19
Cologne Fashion Fairs - International Trend Show (01-930 7251) Cologne

July 27-30
International Furniture Fair & Woodworking Machinery & Furniture Supplies Exhibition (0494 729406) Bangkok

September 4-9
Show of the Nations Exhibition (01-977 3474) Vienna

September 12-14
Pre-Press Exhibition (0372 373161) Copenhagen

September 13-17
International Fisheries Industry Exhibition (01-948 9900) Nantes

Business and management conferences

July 17-18
Frost & Sullivan: Niche marketing – How to identify natural market opportunities (01-730 3438) London

July 19
I.I.R. Industrial: The second annual conference for FIMBRA members (01-287 8830) Wembley Conference Centre

July 21
The Royal Institute of International Affairs and the CBI: The single European market - the external implications (01-379 7400) Centre Point, London

July 24-25
Frost and Sullivan: Business intelligence: How to gain and retain a competitive advantage (01-730 3438) London

July 25
Dale Carnegie: "Results are what count!" (01-979 8800) 69 Cannon Street, London

July 31- August 1
The Industrial Society: Managing for involvement and innovation (01-262 2401) IBM South Bank, London SE1

August 2-4
Frost and Sullivan: Evaluating and implementing local area networks (01-730 3438) Brighton

September 6
Tolley Conferences: Payroll manager's review third annual updating conference 1989 (01-680 5682) London Pres Centre

September 11
The Industrial Society: Annual hours – principles into practice (01-262 2401) London

September 13-14
Financial Times Conferences: World Motor (01-925 2323) Hotel Inter-Continental, Frankfurt

September 14
Tolley Conferences: Duties and responsibilities of a company secretary (01-680 5682) London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

BUSINESS WITH SPAIN FORUM: STRATEGIES FOR 1992 & BEYOND
Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the banking and international business community. Speakers include: Norman Lamont, HM Treasury; Claudio Aranzadi Martinez, Spanish Minister of Industry & Energy; Luis Carlos Croissier Batista, Comision Nacional del Mercado de Valores; Sire Martin Jacomb, Barclays de Zoete Wedd; Manuel Guasch Molins, Ebro; Francois Henrot, Compagnie Bancaire; Emilio Botin Rios, Banco Santander and Mario Conde Conde, Banesto.

WORLD ELECTRICITY
London 16 & 17 November, 1989

The FT World Electricity conference is an important annual forum for discussions and assessment of the economic, financial and political issues facing the power industry. This year the agenda emphasises the role of the utilities in a public policy climate that is increasingly hostile to monopolies and favourable to competition. The conference will feature a survey of the prospects for some of the most important electricity systems and will include debate about privatisation in Britain. Among those taking part are: Robert Malpas, Chairman Designate of PowerGen; Peter Bradford, Chairman, New York State Public Services Commission; Rémy Carle, Directeur Général Adjoint, Electricité de France; Mitsuo Nakajima, General Manager of the Tokyo Electric Power Company and Dr Dirk Kallmeyer, Director, Rheinisch-Westfälisches Elektrizitätswerk AG.

WORLD PULP & PAPER CONFERENCE
London, 12 & 13 December, 1989

The Financial Times ninth annual conference, to be arranged in association with the European Paper Institute, will review the changes taking place in the international structure of the business and corporate strategies for the 90s. It will also analyse opportunities for international trade and investment as well as the impact of technology and innovation. Speakers include: Carl G Björnberg, Central Association of Finnish Forest Industries; Hans de Korver, CEPAC, Bo Wergens, Swedish Pulp & Paper Association; Jean Paul Franiatte, COPACEL; Rune Brandinger, Södra Skogsägarna AB; Adam Zimmerman, Noranda Forest Inc; Ian Kennedy, The Wiggins Teape Group Ltd and Jorge Nunez, Torres Hostench SA.

All enquiries should be addressed to:
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

FINANCIAL

TODAY

COMPANY MEETINGS-
Airflow Streamlines, Northampton Moat House, Silver Street, Northampton, 12.00
British Airways, The Barbican Centre, Silk Street, E.C., 12.00
Business Mortgages Trust, Blackfriars House, 19 New Bridge Street, E.C., 11.30
Caird Group, 33 Sekforde Street, E.C., 10.00
EMAP, The Haycock Hotel, Wansford-in-England, 12.00
Harrison Inds., Post House Hotel, Palatine Road, Northenden, Manchester, 10.30
Hazlewood Foods, The Derby Assembly Rooms, City Centre, 12.00
Newcastle & Gateshead Water, Allendale Road, Newcastle-upon-Tyne, 12.00
PCT Group, The Gleddoch House Hotel, Langbank, Renfrewshire, 12.00
Sterling Inds., Cayzer House, 1 Thomas More Street, 12.30

BOARD MEETINGS-
Finals:
Bogod-Pelepah
Cowan de Groot
Tomkins
Interims:
Eurotherm Intl.
Evode
Trust of Property Shares

DIVIDEND AND INTEREST PAYMENTS-
Abbey National Bldg. Soc. Fltg. Rate Nts. 2000 £328.78
Bank of New York O'seas Fin. NV Gtd. Fltg. Rate Sub. Nts. Jan. 1996 $260.68
Bank of Nova Scotia Fltg. Rate Debs. July 1994 $490.21
Barings BV Gtd. Fltg. Rate Cap. Nts. 2001 $490.21
Chrysler Corp. 30cts.
Citicorp O'seas Fin. Corp, NV Gtd. Fltg. Rate Nts. 1992 $265.94
Creditanstalt Bankverein Sub. Fltg. Rate Nts. 1994 $243.53
External Inv. Tst. 14p
Forsmarks Kraftgrupp AB 13% Gtd. Nts. 1992 6.5pc.
General Motors Corp. 9⅛% Nts. 5.5625pc.
Land Securities 10.3p
Lasmo Eurofinance BV Fltg. Rate Gtd. Nts. 1989 $249.82
National Bank of Canada Fltg. Rate Dep. Nts. July 1991 $246.68
Nationwide Bldg. Soc. Fltg. Rate Nts. 1996 £165.25
Sanwa Intl. Fin. Gtd. Fltg. Rate Nts. 1993 $4858.09
Tarmac 7.5p
3i Group Fltg. Rate Nts. 1994 £165.17
Treasury 2½% IL 2024 £1.4078
Unigate 8.6p
Wells Fargo Fltg. Rate Sub. Nts. July 1997 $265.42
Zentralsparkasse und Kommerzialbank Wien Fltg. Rate Sub. Nts. 1991 $246.68

TOMORROW

COMPANY MEETINGS-
Bridgend, Great Eastern Hotel, Liverpool Street, E.C., 11.00
Cable & Wireless, The Grosvenor House Hotel, Park Lane, W., 11.00
Courtaulds, London Marriott Hotel, Grosvenor Square, W., 10.45
Foster (John), Black Dyke Mills, Queensbury, Bradford, 12.30
Great Portland Estates, Cafe Royal, 68 Regent Street, W., 12.00
Hanover Druce, 21 Manchester Square, W., 10.30
Salvesen (Christian), Sheraton Hotel, Festival Square, Edinburgh, 11.00

BOARD MEETINGS-
Finals:
Brasway
Clarke Hooper
Colefax & Fowler
Creighton Labs.
Hampson
Harris (Philip)
Helton
Raglan Property Trust
Rush & Tomkins
Interims:
Cityvision
Hodgson
Leslie Wise
Microgen
Securiguard

DIVIDEND AND INTEREST PAYMENTS-
Echlin 17.5cts.
F & C Smaller Companies 0.9p
Fluor Corp. 4cts.
Foster (John) & Son 3.75p
M & G Second Dual Tst. 9.15p
MEPC 4.75p
Northern Rock Bldg. Soc. Fltg. Rate Nts. 1995 £163.61

WEDNESDAY JULY 19

COMPANY MEETINGS-
Airsprung Group, Canal Road, Trowbridge, Wiltshire, 2.30
Continuous Stationary, Waldorf Hotel, Aldwych, W.C., 11.00
Dunhill Hldgs., Cafe Royal, 68 Regent Street, W., 12.00
Johnson Matthey, London Press Centre, Shoe Lane, 11.30
Plysu, Brewery Conference Centre, Chiswell Street, E.C., 12.15
Powell Duffryn, Waldorf Hotel, Aldwych, W.C., 12.00
Prowting, The Brewery, Chiswell Street, E.C., 12.30
York Trust, 3 Finsbury Square, E.C., 11.00

BOARD MEETINGS-
Finals:
Authority Invs.
Baspak
British Bloodstock
Bulmer (H. P.)
Harland Simon
Neepsend
Priest (Ben.)
Tinsley Robor
Interims:
British Kidney Patient Ass. Inv. Tst.
Clarke, Nicholls & Coombs
Drayton Far Eastern Tst.
First Leisure Corp.
Scottish American Inv.

DIVIDEND AND INTEREST PAYMENTS-
Estates & Agency Hldgs. 3p
Exchequer 9¾% 1998 4.875pc.
Hill Samuel Fltg. Rate Nts. 2016 $505.92
New Throgmorton Tst. (1983) 4.75p
Newcastle & Gateshead Water 4.2% (Fmly. 6%) Max. 2.1p
Do. 4.9% (Fmly. 7%) Max. Cons. (1876) 2.45p
Do. 4.9% (Fmly. 7%) Max. (1886) 2.45p
Do. 7% (Fmly. 10%) Max. Cons. 3.5p
Do. 3.5% (Fmly. 5%) Cons. Prf. 1.75p
Do. 2.45% (Fmly. 3½%) Perp. Prf. 1.225p
Royal Bank of Scotland 6p
Scottish Inv. Tst. 1.15p
Treasury 2% IL 2006 £1.58

THURSDAY JULY 20

COMPANY MEETINGS-
Brown Shipley, Founders Court, Lothbury, E.C., 12.30
Heath (C. E.), Baltic Exchange, 14-20 St. Mary Axe, E.C., 10.00
ITL Information Tech., Royal Horseguards Hotel, Whitehall, 10.00
TR Technology, Mermaid House, 2 Puddle Dock, E.C., 12.30
Waddington (John), Glaziers Hall, 9 Montague Close, S.E., 12.00

BOARD MEETINGS-
Finals:
Black Arrow
Cray Electronic
Elbief
Stanley Leisure
Interims:
Davenport Vernon
Dewhurst
Free State Cons. Gold Mines
Selective Assets
Throgmorton USM Tst.
Transvaal Gold Mining
Tribune Inv. Tst.

DIVIDEND AND INTEREST PAYMENTS-
Daily Mail & General Tst. 25p
Do. A NV 25p
Dewhurst Dent 7% Uns. Ln. 90/2000 3.5pc.
Dunhill Hldgs. 2.5p
Elys (Wimbledon) 9¾% Uns. Ln. 95/99 4.875pc.
Do. 7¼% 1st Mtg. Deb. 86/91 3.625pc.
Plysu 2.05p
Wells Fargo 75cts.
Westbury 5.5p

FRIDAY JULY 21

COMPANY MEETINGS-
Builder Group, London Intl. Press Centre, 76 Shoe Lane, E.C., 12.00
Centreway Trust, 1 Victoria Square, Birmingham, 10.00
Ferguson Indl. Hldgs., Appleby Grammar School, Appleby, Cumbria, 11.30
Northern Foods, The Grange Park Hotel, Willerby, 12.30
Portsmouth & Sunderland Newspapers, The News Centre, Hilsea, Portsmouth, 12.30
Property Partnerships, Norwich Hotel, 121-131 Boundary Road, Norwich, 11.30
Readicut Intl., Institute of Directors, 116 Pall Mall, 12.30
Shanks & McEwen, Albany Hotel, Glasgow, 12.00

BOARD MEETINGS-
Finals:
First Spanish Inv. Tst.
Heritage
Interims:
Greenfriar

DIVIDEND AND INTEREST PAYMENTS-
Airsprung Group 3.15p
American Express Credit Corp. 9¼% Senior Nts. 1992 4.625pc.
Burton Group 2.8p
Camford Eng. 1.3p
City of London PR Group 1.5p
Company of Designers 1.25p
Devenish (J. A.) 0.95p
Dundee & London Inv. Tst. 3.4p
Eastern Produce Hldgs. 8.5p
Eastern Transvaal Cons. Mines 61.540605p
Exchequer 10½% 1995 5.25pc.
Fleming Fledgeling Inv. Tst. 6¼% Deb. 88/93 3.125p
Great Portland Estates 6p
Hanson 3.5p
Hartebeestfontein Gold Mining 23.22287p
Lodge Care 2.25p
London & O'seas Freighters 0.6p
McInerney Properties 4.5p
Personal Assets Tst. 1.25p
Sanders & Sidney 4.6p
Saskatchewan (Prov. of) 9⅞% Nts. 1991 4.9375pc.
Tate & Lyle 2.9p

SATURDAY JULY 22

COMPANY MEETINGS-
Vosper Thornycroft Hldgs., Victoria Road, Woolston, Southampton, 11.00

DIVIDEND AND INTEREST PAYMENTS-
Exchequer 12% 99/02 6pc.
Readicut Intl. 2.59p
Spandex 2.75p
Treasury 12¾% Ln. 1992 6.375pc.
Do. 14% 1996 7pc.
Do. 13¼% 1997 6.625pc.
Do. 11¾% 03/07 5.875pc.

PARLIAMENTARY

Today

Commons: Timetable motion on Football Spectators' Bill.
Arctic Minerals Bill, remaining stages.
Motion on Police and Criminal Evidence (Northern Ireland) Order. Motion on Clergy (Ordination) Measure.
Lords: Social Security Bill, third reading.
Transport (Scotland) Bill, third reading.
Fair Employment (Northern Ireland) Bill, report.
Select committee: Environment: subject, contaminated land. Witness: Black Country Development Corporation. (Room 21, 5.15 p.m.)

Tomorrow

Commons: Opposition debate on teacher shortages.
Motion on EC documents on animal health.
Opposed private business after 7 p.m.
Lords: Electricity Bill, third reading.
Road Traffic (Driver Licensing and Information Systems) Bill, consideration of Commons amendments.
Dangerous Dogs Bill, second reading.
Motion on Misuse of Drugs Act (Modification) Order.
Select committee: Agriculture: subject, supply of beer. Witnesses: Lord Young, Trade and Industry Secretary, and Mr Richard Ryder, Parliamentary Secretary for Agriculture. (Room 16, 5 p.m.)
Committees on private bills: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 10.30 a.m.) and Redbridge London Borough Council Bill (Room 6, 10.30 a.m.)

Wednesday

Commons: Motions on Water Act Regulations.
Lords amendments to the *Social Security Bill and the* Transport (Scotland) Bill.
Lords: Local Government and Housing Bill, committee.
Representation of the People Bill, committee.
Human Organs (Transplant) Bill, second reading.
Select committees: Foreign Affairs: subject, Eastern Europe and the Soviet Union. Witnesses: Mr William Waldegrave, Minister for Foreign and Commonwealth Affairs, and officials. (Room 5, 10.30 a.m.)
Welsh Affairs: subject, toxic waste disposal. Witness: Welsh Water. (Room 18, 10.30 a.m.)
Trade and Industry: subject, annual report of the Office of Telecommunications. Witnesses: Office of Telecommunications, British Telecom, Union of Communications Workers and National Communications Union. (Room 15, 10.45 a.m.)
Energy: subject, future of the UK Atomic Energy Authority. Witnesses: Mr John Collier, chairman, and Dr Brian Eyre and Mr Mark Baker of the authority. (Room 8, 11 a.m.)
Home Affairs: subject, drug trafficking. Witness: Home Office. (Room 15, 4.15 p.m.)
Procedure: subject, scrutiny of European legislation. Witness: Baroness Serota. (Room 16, 5.10 p.m.)
Joint Committee Consolidation Bills: subject, Opticians Bill. Witness: Mr James Rennie, parliamentary counsel to the Law Commission. (Room 4, 4.30 p.m.)
Committees on private bills: King's Cross Railway Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.) and Redbridge London Borough Council Bill. (Room 6, 2.15 p.m.)

Thursday

Commons: Lords amendments to the Electricity Bill.
Motion on Education (Assisted Places) Regulations.
Lords: Social Security Bill, Commons message.
Local Government and Housing Bill, committee.
Fair Employment (Northern Ireland) Bill, third reading.
Committee on private bills: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.) and Redbridge London Borough Council. (Room 6, 10.30 a.m.)

Friday

Commons: Debate on school education against drug and alcohol abuse.
Lords: Self-Governing Schools (Scotland) Bill, second reading.
Licensing Amendments (Scotland) Bill, committee.
Question to Government on history teaching by former staff of Lewes Priory Comprehensive School.

BUILDING CONTRACTS

Mixed outlook for architects

By Andrew Taylor, Construction Correspondent

ARCHITECTS expect their workload to fall slightly this year but should start increasing again next spring according to the latest forecasts from *the Royal Institute of British* Architects.

"Even though workloads will fall this year, they will remain above 1987 levels for work," said the institute.

It said demand for housing work had been stifled by high interest rates and high house prices in relation to wages.

Commissions and drawings for office construction were expected to fall by about seven per cent this year.

"Property companies, although recognising the good investment and high levels of returns achievable from offices, are financially committed with record levels of bank borrowings," said the institute.

It expected commissions for retail work to fall by about eight per cent this year as schemes were abandoned in anticipation of a slowdown in consumer spending.

Commissions for industrial work were expected to decline by about 10 per cent. Investment decisions were being *postponed, despite high company* profits, because of uncertainty about the economy and interest rates.

Work on leisure projects, which has grown consistently in recent years, was expected to rise by about eight per cent. This was due to: the continuing demand for tourist related dvelopments; the appeal of leisure projects as part of urban regeneration schemes; hotel building; and demand for recreation centres.

Government spending on building was forecast by architects to remain static during the next 12 months. The only significant increase was likely to be in the health sector where authorities have been encouraged to raise funds by selling surplus land and buildings.

Healthcare project in Cambridgeshire

New contracts awarded to SDC BUILDERS, Bedford, totalling over £17.6m, include the design and construction of a 60-bed private hospital, with close care facilities for another 50 residents, in the grounds of Grade 2 listed Newton Hall, six miles from the centre of Cambridge. The hall itself will provide 14,000 sq ft of administration space and when the £4m project is completed, the developers will offer it for sale to a private health care group.

Further design and build work involves a riverside leisure complex at Bedford for a consortium including Simkel Developments and Lousada (£4m); retail and office units in Bedford town centre for SDC (Anglia) (£1.4m); a two-storey office building for the Country Gentlemen's Association at Letchworth Business Park (£1.2m) and a scheme of small factory units for Grand Union developments at Kempston, Beds. (£950,000). The rest of the contracts include another private health development, for 3P, at Bottisham, Cambs, (£3m) and extensions and refurbishment at two Royal Mail centres, at Milton Keynes and Tring, costing in excess of £3m.

Improving drainage in the Milton Keynes area

MILLER CONSTRUCTION has gained the Kingston and Brinklow main drainage contract which is believed to include the largest box culvert order ever placed. This covers the construction of 1.5km of twin precast concrete box culvert surface water sewers up to 3600mm x 2100mm in size, and 5.4km of foul and surface water sewers up to 1950mm in diameter.

This latest scheme to be undertaken by Anglian Water will provide a main drainage infrastructure for the fast growing town of Milton Keynes in Buckinghamshire

The contract - worth nearly £5m - is due for completion in December and will provide trunk sewerage for the eastern flank of the town.

Building hotel extension at Heathrow airport

LAING CHILTERN has received orders worth £33m. The largest is a £15m contract to extend one of Heathrow's landmarks, the Excelsior Hotel.

For this the client, Trusthouse Forte (UK), has given Laing the challenge of building the 258 bedroom extension in just 59 weeks. To help achieve this, the structure has been designed to enable a tunnel form system to be used whereby a series of walls and the floor above are cast in single operations, thereby considerably speeding up the frame construction. The Y-shaped building will be fully air conditioned and fitted out to four star plus standard.

A £3.6m contract has been awarded by Veladail Hotels for an extension to Down Hall Hotel in Hatfield Heath, Bishop's Stortford, Herts. It will involve building a three-storey block containing 58 bedrooms, conference and banqueting rooms in two storeys and a single-storey kitchen extension.

The London Borough of Hillingdon has awarded a £5.1m contract for the refurbishment of two nine-storey blocks of flats in Pantile Walk, Uxbridge.

The company has also won a £3.9m contract to rebuild the fire damaged Dickens and Jones store at Milton Keynes for Postel Property Services and the £5.1m refurbishment of 170 homes on the Kenmore Park Estate for the London Borough of Harrow.

Hong Kong railway depot

SANFIELD-LAM CONTRACTORS has been awarded a HK$170m (£13.3m) contract for building work at the Ho Tung Lau depot and workshop of the Kowloon-Canton Railway Corporation.

The redevelopment aims at renewing and upgrading the facilities of the existing depot and workshop to meet the requirements of the expanding rolling-stock, to provide additional stabling for trains, and to enhance the productivity of maintenance work. The train fleet is expected to increase from 180 cars to a projected figure of 309 cars by October 1990.

Ove Arup & Partners Hong Kong is the lead consultant in an Arup/Parsons Brinckerhoff (Asia) joint venture team which has undertaken the design for the overall development of the project.

Expanding airport facilities

NOVITA, a consortium of seven Maltese companies, in co-operation with MOWLEM INTERNATIONAL, who will provide a management service, have won a £25m contract to build a terminal at Luqa international airport on the island of Malta.

The contract comprises the construction of a five-storey terminal building with reinforced concrete frame, and part precast and part in situ slabs. Cladding will be masonry and local stonework and there will be substantial mechanical and electrical works. External works include roads, a bridge, paving, earthworks, extensive concrete retaining walls, a large water tank and a number of smaller buildings.

The client is the Ministry of Development of Infrastructure and the project is scheduled for completion in 1991.

Refurbishing housing

HALL & TAWSE, the construction division of Raine Industries, has won over £20m worth of contracts. Hall & Tawse Southern is to start shortly on a £7.25m refurbishment of 242 houses for the Test Valley Borough Council. The project concludes remedial works for the GLC overspill scheme on over 1,600 homes in Andover.

A £2.7m face-lift to Corporation Square in Birmingham's main shopping centre is already under way. The work, due for completion next May, features glass roofed walkways, lockable entrances, permanent market stalls and a 65 ft clock tower.

Hall & Tawse Scotland has won a £1.5m three-storey office block contract at Traquair Park East Edinburgh. The project is scheduled for completion in 12 months. Other awards include a £1.2m housing project in Lossiemouth.

LEGAL COLUMN

Lawyers come face to face with competition

By Robert Rice

IT IS A touch ironic that, as the legal profession struggles to come to terms with change in its market and anxiously awaits the Government's final plans for reform, sound analysis and advice on the issues facing law firms should come from a sector of industry with which it may soon find itself in direct competition: the accountants.

The advice in this case comes from Spicers Consulting Group, the consultant arm of Spicer & Oppenheim International.

Its basic premise, which is difficult to fault, is that lawyers need to recognise that their business is an industry rather than solely a profession. Firms that delay accepting what that implies will find that their businesses deteriorate.

Law is as much an industry as any other. Firms compete for clients, they offer similar services and they compete on a similar basis.

Firms are finding that they need to manage growth and profitability in much the same way as any other business.

Those who refuse to accept greater competition in the industry will find their new clients become fewer, and existing clients drift away, putting pressure on fees and on profits.

Lower profits make it harder to attract high-calibre staff and a vicious "competition trap" begins to take hold.

For some the answer will be to merge; but the rush into merger just to be bigger without undertaking a proper analysis of why greater size is necessary is asking for trouble.

According to Spicers, the main pressure for change comes from client companies and not, as some solicitors have argued, from within the profession as "aggressive new boys" upset the traditional way of doing things.

Most clients want to 'shop around' to find the best firm in a specialist area

The same is true of the green and white paper proposals, it says. Those proposals covering multi-disciplinary practices, multinational partnerships and changes in conveyancing are not the prime movers for change.

They are merely facilitators of change put forward in recognition of the increasing demands by clients and are directed at ensuring that the legal industry responds to market pressure.

The growing complexity of business issues has also created the need for greater specialisation in the legal advice sought by big clients.

Spicers' research indicates that most clients want to "shop around" to find the best firm in each specialist area. The traditional notion that one firm can deal with all of a client's problems is vanishing.

Firms that cling to the notion that their clients want to use them for everything are probably not aware that their long-established clients are tending to buy from them only the routine, low-value services.

The high-value services are going to competitors that have understood the trend in client demand and have created specialist service areas. Some firms have specialised for many years, particularly in areas such as shipping, but the typical response to client demand for specialisation has been for one or two partners to start taking a particular interest in a specific field.

Initially such partners have retained their interest in general practice. But firms have found that they cannot compete with others where partners have started devoting themselves on a full-time basis to areas in high demand from corporate clients.

Clients have seen through superficial specialisation and taken their business to firms that can demonstrate true specialisation.

These are large firms which can devote a number of partners and support staff on a full-time basis to particular complex areas of law.

In response to the trend, some smaller firms have concluded that the only answer is to merge.

Much of that is historical. The question is what effect this change in market conditions has had on the profession and what are its likely effects over the coming decade.

Increased competition has resulted in tremendous growth for many of the larger law firms – through organic development and mergers. Size is seen as critical in their success and looks set to dominate their thinking in the years ahead.

At the other end of the scale there are many two and three-partner firms, mainly in the regions, that get most of their work from local businesses and private clients.

Spicers predicts that such firms will face increasing pressures for survival over the next decade as they try to maintain their high profits while facing increased competition from larger firms.

Some small firms, it says, will survive on lower profits, others will merge or break up. A few will find enhanced profits by adopting a strategic management approach.

They can either become a "high-volume, low-value-added firm that successfully leverages partner time across a large volume of work;" or become a "true niche player, offering a limited range of higher-value-added services within a defined and narrow market."

In the middle are the medium-sized firms, and Spicers are not alone in predicting that these firms, with between 50 and 250 fee earners, are the most at risk over the next 10 years.

The critical factor for success is strong strategic leadership

That is because they are not big enough to offer the same depth of skill across the board as the large firms, yet they have similar overheads, cost structures and clients.

Their corporate client business will come under increasing pressure from the large firms, the small firms will pick off their private-client work by undercutting them on price, and the niche firms will take away their specialised high-value business.

The critical factor for success, or avoiding disaster, in this changing market will therefore be strong strategic management and leadership, Spicers says.

The accountants who rushed into mergers in the belief that big was best in the 1960s and 1970s, as law firms seem determined to do now, have only during the last few years started to address the true strategic consequences of their actions, it says.

The biggest obstacle to proper strategic management are the partners themselves. Many of those convinced of the need for change will vote for merger without giving much thought to whether this is the best policy for their firm.

Others, while accepting the need for change, find it difficult to accept any of the options because they fear each one will demand something new of them. In consequence, they prevaricate and squabble and pick holes in the apparent belief that if they argue long enough the whole thing will go away.

The message from Spicers is clear: the need for change will not go away. Only those firms which adopt strong strategic leadership and management at the top will succeed in converting most partners to the need to change, and will then be in the position to take the necessary action to achieve success in a changing market.

LEGAL APPOINTMENTS

LAW SOCIETIES ADMISSIONS 15th July,1989

ASLAM, Toffig B.A Mr, London
AUSTIN, Anthony Harold LL.B Mr, London
BARCLAY, Marcus Robert William LL.B Mr, London
BENNETT, Thomas Andrew Mr, Leighton Buzzard, Bedfordshire
BROOKES, Shirley Ann LL.B Ms, Surbiton, Surrey
CANTELLI, Roderick LL.B Mr, Backwell, Avon
CARTY, Peter Clive LL.B Mr, London
CATTELL, Sarah Elizabeth B.A Miss, London
CENTELEGHE, Domenico Raffaele LL.B Mr, Macclesfield, Cheshire
CHE, Wai King Solicitor Of The Supreme Court Of Hong KongMs, Hong Kong
CHENG, Pui Lan Solicitor Of The Supreme Court Of Hong KongMs, Hong Kong
CHEUNG, Debbie Fong Solicitor Of The Supreme Court Of Hong KongMs, Hong Kong
CHOW, Kenneth Wan Kai Solicitor Of The Supreme Court Of Hong KongMr, New Territories, Hong Kong
COOK, David B.Sc Mr, Stubbington, Hampshire
COURTEN, Rowena Anne LL.B Miss, Cotterstock, Peterborough
DANDIKER, Pradeepkumar Lalitchandra B.A Mr, London
DAVIES, Denise Gail LL.B Mrs, Llandeilo, Dyfed
DAVY, Laurence B.A, LL.B Mr, Culcheth, Warrington
DENTON, Jacqueline Helen LL.B Mrs, Westoning, Bedford
EVANS, Martin LL.B Mr, Bristol, Avon
EVANS, Nicola Jayne LL.B Miss, London
FRY, Tessa Joanne B.A Ms, London
FUNG, La Yee Solicitor Of Supreme Court Of Hong Kong Miss, Hong Kong
GIBBONS, Colin Shiel LL.B Mr, London
GRIFFITHS, Simon Anthony Christopher B.A Mr, Piddlehinton, Dorset
HAYES, Elizabeth Ann Solicitor Of The High Court Of New Zealand Ms, Holborn, London
HOGAN, Patrick Thomas Mr, London
HUI, Tommy Hon Min Solicitor Of The Supreme Court Of Hong Kong Mr, Lantau, Hong Kong
JAIN, Mahendra Chandmal Solicitor Of The High Court Of BombayMr, Bombay, India
JAMES, Leonard Thomas Paine B.Sc Mr, Leeds
JARVIS, Russell Michael LL.B Mr, Tooting, London
LAMPLOUGH, George David Solicitor Of The High Court Of New ZealandMr, London
LAU, Elaine Sin Fan Solicitor Of The Supreme Court Of Hong KongMs, Central Hong Kong
LOCKHART, Ewan Thomson LL.B Mr, Horfield, Bristol
MANLEY, Carmel Maria LL.B Mrs, Liverpool, Merseyside
MARTIN, Peter Maxfield Mr, London
MASSON, James David Mr, Benfleet, Essex
MCMILLAN, Joseph Bruce Hill LL.M Mr, Orpington, Kent
MHAISKAR, Ratnaprabha LL.B Ms, Harrow, Middlesex
MISTRY, Satish Chandra LL.B Mr, East Ham, London
MURPHY, Matthew Edward LL.B Mr, Kettering, Northamptonshire
NEILL, Robin Charles Richard LL.B Mr, Clapham, London
PARKINSON, Thomas Turner B.A. Mr, London
PINTO, Premie Sharmn Melanie Solicitor Of The Supreme Court Of Sri LankaMrs, Ilford, Essex
POLSON, Anthony Graham B.A Mr, Cateaton, Liverpool
PUGLISI, Marie Claire LL.B Miss, London
REYNOLDS, David Mark M.A. Mr, London
RICE, Elizabeth Anne Miss, Aintree, Liverpool
ROBERTS, Jonathan Francis LL.B Mr, Golders Green, London
SAMBHADHEN, Arnon Latchmanee Mrs, Ilford, Essex
SHAND, Fiona Campbell Solicitor Of The Supreme Court Of New South WalesMs, Pokfulam, Hong Kong
SINFIELD, Gregory John M.A Mr, Stoke Newington, London
SITHAMPARAPILLAI, Cumarasamy Solicitor Of The Supreme Court Of Sri Lanka Mr, Clayhill, Essex
SMITH, Louise Mary Ms, London
TANG, Hau Shing Solicitor Of The Supreme Court Of Hong Kong Mr, New Territories, Hong Kong
TAYLOR, Caroline Maria B.A Miss, Bath, Avon
TAYLOR, Michael Charles LL.B Mr, Cheshunt, Herts
TRIBE, Peter John Mr, Cambridge
URQUHART, Douglas Robert LL.B Mr, West Kensington, London
WADHAM, John B.Sc Mr, London
WALTERS, Linton Antonio Solicitor Of The Supreme Court Of Jamaica Mr, London
WEBBER, Graeme Alan LL.B Mr, Oakworth, Keighley
WEST, Julie Dorothy LL.B Miss, Dagenham, Essex
WONG, Albert Kwai Huen Solicitor Of The Supreme Court Of Hong KongMr, Hong Kong

هكذا من الاصل

MANAGEMENT

Yamaha Corporation of Japan

Playing an international tune

Alice Rawsthorn on the musical instruments group's need to manufacture overseas

Whenever a baby grand piano trundles between buildings at the Yamaha Corporation's factory in Hamamatsu on the Pacific coast of Japan, it is heralded by the electronic notes of a Beethoven symphony to warn the workforce of its arrival in a new area.

The Yamaha factory combines the sort of traditional skills that have been used in piano production for decades with the most modern robotics. The combination of old skills and new technology has turned it into what it claims is the most efficient grand piano plant in the world.

Today, Yamaha's engineers are considering the feasibility of replicating the Hamamatsu plant at a group factory at Michigan in the US. The logistics of installing the same machinery seem simple. But the problems involved in training new employees and instilling the discipline of the Japanese plant will be formidable.

Yet these same engineers are in the process of reproducing Japanese plants in the US and Europe for a wide range of musical instruments. Having dominated the international musical instrument market from Japan for decades, Yamaha is becoming increasingly involved in overseas production.

Yamaha, like so many other Japanese corporations, is setting up localised production plants to tackle the problems of an uncompetitive currency, fierce price pressure from the emerging industries of Taiwan and South Korea and the maturity of the international marketplace.

In the past year or so Yamaha has staged a series of acquisitions in the West. It has won control of the Kemble piano company in the UK and acquired an interest in Schimmel of West Germany. Yamaha has bought Deagan, the US percussion company, and the Premier drum business in the UK. It is also expanding its wind instruments factory at Michigan in the US.

The story of Yamaha Corporation begins in the Hamamatsu of the 1880s when the school organ broke down and Torakusu Yamaha, a local engineer, was asked to mend it. He was so intrigued that he set about building one from scratch. The Yamaha Corporation is now one of the largest manufacturing groups in Japan and the world's biggest musical instrument maker.

Yamaha now dominates the world markets for pianos, wind instruments, percussion and electronic instruments. Yet the musical instruments market is now mature and Yamaha faces fierce competition in pianos and wind instruments from the emerging industries of South Korea and Taiwan.

The group is involved in other areas – such as hotels and furniture in Japan and its international audio products interests – but these activities are too small to compensate for the maturity of its main market. Musical instruments provided 70 per cent of its Y3.4bn (£37.3m) net income and 60 per cent of its Y467bn (£2.1bn) turnover in the year to March 31 1988.

Similarly Yamaha Motor, the motorcycle and engineering group in which it has a 35 per cent share, has performed poorly for several years.

It is against this background of erratic profits and sluggish sales that Yamaha Corporation has begun its thrust into overseas production.

Yamaha's management has no illusions about the logistics of operating as an international manufacturer. "There is no cost or quality advantage in manufacturing in Europe or the US," says Joe Yoshida, general manager of corporate planning at Yamaha Corporation of Japan. "But in the long term it is the only thing to do if we are to improve our service and become more flexible in the international market."

The rationale for Yamaha's investment in overseas production is simple. The international market for musical instruments is mature. As market leader it thus has little scope for sales growth.

The growth of the emerging south east Asian economies in musical instruments poses a parallel problem. South Korea *has recently become a force in* pianos and China now threatens to follow suit, while Taiwan is increasing its presence in wind instruments.

These emerging producers have taken advantage of comparatively low labour costs and competitive currencies to undercut the established manufacturers like Yamaha.

For Yamaha these general problems are compounded by the fact that sales of electric organs, or the electone which is its most profitable musical product, are actually declining.

The group has only partly been able to compensate by strengthening its fast growing digital instruments activities, which include portable keyboards and synthesisers.

The logical solution would be to transfer production from Japan to lower cost centres in south east Asia. It already does *so in guitars. Similarly it is* involved in piano production – of cheaper models – in Taiwan and Indonesia. The group is now constructing a single keyboard plant in China, scheduled to open in spring next year. In the longer term it may consider making drums in a low cost country.

But the level of skill and quality control involved in making the most of Yamaha's instruments is so high that it does not consider production in south east Asia to be workable. Yoshihiro Kaji, director of the band and orchestral instrument division, says it has taken three years to achieve satisfactory quality in Taiwan even for the relatively simple electric guitar.

Instead Yamaha has opted to stave off low cost competitors by concentrating on value-added product areas where they are not yet competitive.

In Japan this strategy has involved channelling resources into the development of more sophisticated products. In pianos, for example, while the growth in unit sales has slowed there is a trend for people to treat themselves to more expensive products.

Yamaha is investing heavily in the development of new products like the Disklavier, which combines acoustic and digital technology to record and play back the music played on the piano.

The group is pursuing the same strategy of concentration on value-added products overseas. But it is also investing in localised production in Europe and the US to improve its standard of service, as well as to overcome the economic problems of a strong currency and high distribution costs.

Two years ago Yamaha laid the foundations for a more extensive international network by creating the Yamaha Corporation of Europe and the Yamaha Corporation of America to act as sales and marketing centres for those regions.

In Japan, its piano plants are supplied from its own iron foundries

These new divisions are staffed both by indigenous executives and by Japanese managers who take responsibility for regional marketing initiatives. Strategic decisions about the location of production and product launches are still made in Japan, however.

At the Kemble plant, which Yamaha has already begun to re-equip and adapt to its own production specifications, Japanese managers now work alongside the original Kemble management. Teams of engineers have been dispatched from Japan, while Kemble employees have visited its Japanese factories.

Yamaha is convinced that localised production is essential for the future, but it does not see it as a panacea. One disadvantage is that it will be unable to replicate the vertical structure it has established in Japan where it supplies its piano plants from its own lumber-yards and iron foundries. Such a structure provides economies of scale in sourcing raw materials because Yamaha can select the most suitable parts of the same piece of wood for different products.

Similarly it will lose flexibility in that it will be less able to divert products from market to market, to suit fluctuations in demand. At present if demand for a certain type of drum is unexpectedly high in the US, then supplies can be diverted directly from Japan from less buoyant markets in Europe.

But the chief obstacle to localised production in Europe and North America is the same as in south east Asia: securing Japanese standards.

Yoshihiro Kaji estimates the present productivity level of Premier at 60 per cent of a comparable plant in Japan. Even after refitting, he does not expect this to rise to more than 90 per cent. The wind instruments factory at Michigan, for example, was built as a replica of Yamaha's Japanese factories yet it has never achieved more than 90 per cent of their productivity.

The reason for the shortfall, says Kaji, is the quality of the workforce. "Everything at Michigan is the same as in Japan," he says. "But we cannot make the Americans as efficient as our Japanese workers."

How IBM is adding value to its educational activities

David Thomas on the results of a year-long study by the computer group's UK subsidiary

Links forged by companies with schools and universities are beginning to be treated as an issue deserving serious management analysis, one of the clearest signs yet that the topic is forcing its way up the business agenda.

Not so long ago, senior managers tended to dust down their educational activities for a photo in the annual report and then forget them for another year. Awareness of the difficulties facing employers in recruiting young people in the next few years, coupled with a push from government for more contact across the business-education divide, is beginning to change that.

Some large companies are now spending considerable sums of money and devoting significant management time to their educational activities. But this raises the problem of assessment. Should an enterprise try to import standard management disciplines from its more mainstream work into this at least partly philanthropic sideline?

The British subsidiary of IBM, the world's largest computer company, has just completed a year-long review which was designed to find a coherent management framework for its educational activities.

"We invested a lot in the schools sector and in higher education, but it was difficult to measure the value of this investment," explains Gerry Wade, who is in overall charge of IBM's educational activities.

Step one was to identify IBM's current interests in education. A matrix was constructed isolating four main educational activities: schools, education and training for 16-19 year-olds, higher education and adult education. These four activities were then plotted against five key IBM operational interests: development of its market; influencing the public policy debate; recruitment and training; investment in the community; and research.

From this matrix, the company was able to identify which function should be responsible for particular types of educational work. In the past, for example, a link with a school was treated as a community investment, when really it was part of IBM's marketing strategy.

This helped it lay down a clear policy for its educational activities. For instance, many of its community investment decisions were purely reactive. "There were an awful lot of ad hoc responses to requests. We needed to look much more carefully at why we were doing things," explains Alastair Bruce, who is in charge of links with schools.

The company decided to concentrate on educational activities to which it could "add value," to use the jargon beloved by IBM insiders. This meant that the straight donation of computers to schools is increasingly frowned upon, whereas using IBM's expertise to offer management training to teachers is typical of the activity it wants to encourage.

The final piece of the jigsaw was to appoint executives for each type of educational link. Previously up to 40 senior managers held some responsibility for this field. Now it is down to a handful.

"Issue ownership," to slip into the jargon again, is underpinned at corporate level by a new IBM education and training committee. Its views will be transmitted to an education co-ordinator at each of the company's major sites, whether office block, factory or laboratory.

The job of the co-ordinators is to encourage employees on their sites to take an interest in educational activities within the framework laid down by the company nationally. Their task is helped by IBM's policy of allowing staff up to 10 per cent of their time off for approved community activities, such as being a school governor.

To give the process bite, part of the co-ordinators' merit pay rises depends on how well they develop educational links with their local communities.

It would be easy to criticise IBM's structure as overly bureaucratic. On the face of it, the company has taken a large sledge hammer to what is still a comparatively small nut. For although its community investment budget in education is building up, it is still only just over £2m a year.

When IBM executives are quizzed on their new approach, however, it soon becomes apparent that the model is not as rigid as it sounds on paper. For a start, Gerry Wade and his team are rather more forthcoming about the sort of activities they would like to encourage, than those they would like to discourage. They want to avoid the impression that a rigid line is handed out from the centre. Each site is free to mould its priorities to local circumstances. The company does not try to direct the way its employees spend their community service.

Moreover, IBM recognises the difficulties in measuring the value to the company of, say, an office twinning with a local school. The type of educational activity the company chooses to concentrate on is bound to remain, in the end, partly a matter of intuition.

APPOINTMENTS

British Gas exploration posts

■ BRITISH GAS has appointed **Mr Jack Lee Gregory** as HQ director and general manager (designate), London, in the exploration and production division. He was with Tenneco, and following its acquisition became vice president and general manager of BG Services (US) Inc, Houston, where he is succeeded by **Dr Arthur O. Beall Jr** who was exploration manager at Tenneco. **Mr Adrian Webb** has been appointed personnel controller of the division, **Dr Ken Bray** becomes controller, corporate services, **Mr Brian Murphy** financial controller, and **Dr Paul Collins** manager, planning and development.

■ ICL, information systems subsidiary of STC, has appointed **Mr Warwick Morgan** as director of ICL RETAIL SYSTEMS (UK). He was previously in Denmark where he was managing the integration of Regnecentralen, STC's Danish subsidiary acquired in September 1988.

■ **Mr T.D. Dingwall** has been appointed managing director of ALCAN CHEMICALS, British Alcan Aluminium's chemicals division, from August 1, when **Mr J.C. Armstrong** retires. Mr Dingwall joined British Aluminium in 1965. After the merger with Alcan in 1983 he became managing director of BA Chemicals, part of the chemicals division. Mr Armstrong has been appointed a non-executive director of JONES AND SHIPMAN.

■ KEMPER INVESTMENT MANAGEMENT CO has appointed **Mr Terence Prideaux** as an associate director responsible for the management of fixed interest portfolios. He was head of the bond research group at Daiwa Europe. Kemper is UK subsidiary of Kemper Financial Services, Chicago.

■ BRITISH BIO-TECHNOLOGY GROUP has appointed **Mr Brian Dovey** as a non-executive director. Mr Dovey recently joined Domain Associates, a shareholder of British Bio-Technology, as a general partner.

■ **Mr Paul Byrne**, managing director of Novacold, is to become an executive director of TDG SOUTHERN.

■ **Mr Graham Samuel** has been appointed managing director of FRAME CLOTHING. He was previously with Marks and Spencer.

■ GARTMORE INVESTMENT has appointed **Mr Philip Butt** as managing director of Gartmore Investment Trust Management from August 1. He was a director of BZW Research.

Promotions at Courage

■ COURAGE has made the following promotions. **Mr Dick Hayes**, director - sales, to executive director - property and retail; **Mr David Clayton Smith**, director - regional sales (east), to executive director - sales and marketing; **Mr Nick Holmes**, director - marketing, to executive director - European operations; **Mr Peter Ward**, director - production (Tadcaster brewery), to executive director - brewing; **Mr Brian Scholey**, director - distribution operations, to executive director - distribution; and **Mr Mike Reynolds**, director - public affairs, to executive director - public affairs.

■ **Mr P.M. Synott** has been made a director of C.T. BOWRING REINSURANCE.

■ **Mr V.L. Sankey** is appointed a director of RECKITT & COLMAN on September 1. At the end of 1988 he was made president of Durkee-French in the US. **Mr O.T. Parmenter** will be returning to Australia during November at which time he will resign from the board of Reckitt & Colman.

■ CLYDESDALE GROUP, electrical retailers, has appointed **Mr Neil Dunn** as a non-executive director. He was a director of Ivory and Sime.

■ **Dr G.A. Ashworth** has become managing director of STARTRITE MACHINE TOOL COMPANY, a member of the 600 Group. He was a director and a general manager at Chloride Legg.

■ **Mr John Walters** has been elected to the board of BROOKS SERVICE GROUP and made managing director of its subsidiary, Brooks Cleaning Services. He takes over as managing director of Brooks Cleaning Services from **Mr Bill Black** who has resigned from the board of Brooks Service Group. Mr Black is to leave the group later in the year to pursue other activities.

Mr Jeremy Knight, *(above)*, general manager, has been appointed to the board of *NATIONAL EMPLOYER'S* MUTUAL GENERAL INSURANCE ASSOCIATION.

■ **Mr David Mends** is to become managing director of ARMOUR BARPAK. He will retain his position as financial director of the parent company, Nash Industries. **Mr Alan Squires** is promoted to sales director following **Mr Chris Posnett's** appointment as production director. **Mr Alastair David** has become financial director.

■ **Mr Larry C. Anderson** has been made managing director of SEAFARER INTERNATIONAL, a Standard Communications company. He previously held a similar position at Raytheon Marine Company's European headquarters in Denmark.

■ **Mr Joseph Burnett-Stuart**, chairman of Robert Fleming, and **Mr Stuart Gordon Cameron**, former chairman and chief executive of Gallaher, have both become non-executive directors of the ROYAL MINT management board.

■ EDINBURGH FUND MANAGERS has appointed two board directors, **Dr Paul Michael Whitney** and **Mr Alex Gowans**. Mr Gowans is head of the company's UK department. Dr Whitney, chief executive of CIN Management, becomes a non-executive director.

■ **Mr Ian Musgrave** is to join NATIONAL POWER as treasurer in the autumn. He is currently group treasurer at Plessey.

■ **Ms Jane Gilbert**, partner-in-charge of business services at COOPERS & LYBRAND's Birmingham office, has been appointed the firm's first national director of business services.

■ **Mr Jim Ratcliffe** has joined ADVENT as director of advanced materials investment. He joins from Courtaulds advanced materials division where he was a director.

■ ALLIED-LYONS has appointed **Mr W.E. Mason** as a non-executive director. He retired in January from the Ministry of Agriculture, Fisheries and Food, where he had been deputy secretary (fisheries and food) since 1982.

■ **Mr Michael Cox** and **Mr Florian Walewski** have been made directors of TRANSPORT DEVELOPMENT GROUP in addition to their current responsibilities within the group.

Ms Mary Otto *(above)* **has been appointed to lead the reinsurance division of SPECIAL RISK SERVICES. She was senior vice president and director of reinsurance with AMBAC Indemnity Corporation of New York (subsidiary of Citibank).**

Senior posts at Air UK

Two appointments have been made by AIR UK, Britain's third largest scheduled airline. Mr Robert Frost *(above)* **becomes managing director on July 24, and Ms Hilary Halford is made sales director, a new post. Mr Frost succeeds Mr Stephen Hanscombe who, as part of a management reorganisation in May, became group managing director for the three operating companies (Air UK, Air UK Leisure, and Air UK - Engineering) that make up the Air UK Group. Mr Frost's career has been in car rental, first with Hertz, and then with Budget Rent a Car, where he was managing director of a subsidiary. Ms Halford was sales operations manager with British Midland Airways.**

■ **Dr Rodney Leach** has joined JASMIN as a non-executive director. He was founder, chief executive and managing director of VSEL.

■ **Mr John Clark** has been promoted to director of marketing at NATIONAL ADVANCED SYSTEMS EUROPE CORPORATION. He was director of peripherals marketing.

■ STORAGE TECHNOLOGY has appointed **Mr Ian Hillier-Brook** as UK managing director. He was director of European operations for Emulex.

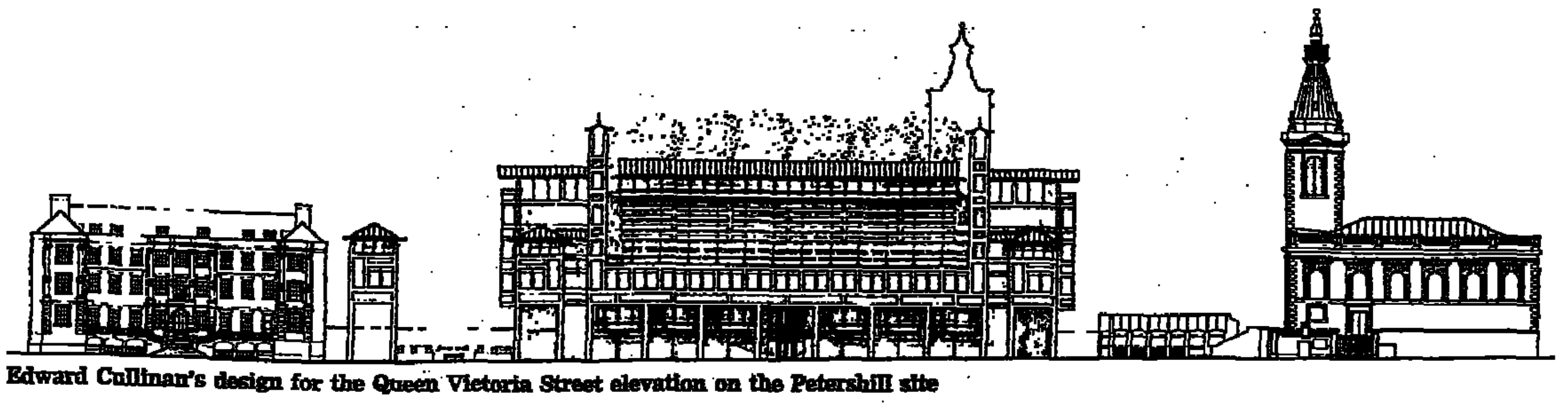
■ From August 1 **Mr Gerhard Schonbeck** becomes managing director of SKANDIA U.K. INSURANCE. He is deputy managing director of Stockholm Re, and succeeds **Mr Anthony Armstrong** who becomes director of marketing for REO, as senior vice president.

■ **Mr Michael Shane Reilly** has been appointed managing director of SONATEST. He was financial controller.

■ GRANADA TV & VIDEO has made the following promotions. **Mr Gordon Starling** becomes purchasing director, **Mr Mike Neal** commercial director, **Mr John Day** operations support director, and **Mr Mark Thomas** marketing director.

■ CIM INTERNATIONAL, Fareham, has appointed **Mr Jim Wilson** as managing director. He was managing director of Van Ommeren Ceteco Group, and succeeds **Mr Paul Wright** who becomes deputy chairman and chief executive. **Mr Ian Allely** has been appointed finance director. He was managing director of Hudson's Bay & Annings.

ARTS



Edward Cullinan's design for the Queen Victoria Street elevation on the Petershill site

ARCHITECTURE

In search of civic dignity

Colin Amery on the new plans for St Pauls

It would be a strangely impervious character who did not respond to the reminders of the French Revolution and the endlessly repeated strains of the Marseillaise that rang our all over France last week. *If nothing else*, the celebrations reminded us how strong was the belief in a new world for the revolutionaries. Not content with the overthrow of "an executive that does not act," the leaders were so confident of their ability to make all things new that they changed the calendar – making 1792 Year One.

It is this sort of confidence in the new that many people would like to see restored in Britain, especially when it comes to architecture and design of the cities. It is forcibly brought to mind by the restoration of civic dignity and pride in the capital so evident in the "new" Paris. President Mitterand, with his series of *Grands Projets*, follows a tradition of urban grandeur that is, in some ways, alien to the British.

It is interesting to recall that when the leaders of the new American republic wanted a fine new plan for their capital Washington they turned to a Frenchman, L'Enfant. When in England, for a brief moment, the Edwardians rebuilt London on a modestly monumental scale with Admiralty Arch, improvements to The Mall and the gradual development of Kingsway and Aldwych, the nation was in the embrace of the Entente Cordiale.

While the French taste for urban splendour does not seem to be shared by the British, no one can avoid a terrible sense of disappointment at the morale, condition and visual appearance of London when compared with Paris. As President Mitterand was planning the glorification of his capital, *London was losing its civic government.*

The French Government is anxious to promote culture building four major museums and an opera house. The British Government has handed over the care of museum buildings to their trustees with enormous bills for dilapidations and maintenance. Our Royal Opera House has had to become a property developer in order to expand and improve the theatre; our National Gallery, although succeeding brilliantly in raising private funding, is mightily burdened by the cost of maintaining and restoring its premises.

Even allowing for the obvious political differences between London and Paris, there is no doubt that architecture and the arts scarcely feature in the minds of British ministers. The sense in Paris of a building programme that is culturally driven is exhilarating; the sense in London of a massive building programme, mainly by desire for short term profit, is depressing.

Imagine what President Mitterand would have done, faced with the problem of rebuilding the entire precincts of St. Paul's. *First of all, he would not have seen it as a problem* but as an opportunity. The cathedral is one of our greatest national monuments. Expediency after the Great Fire of London prevented the carrying out of Wren's formal but splendid plan for the City, and enthrallment to inappropriate architectural fashions damaged the whole area in the rebuilding after the second world war when Lutyens's great plan for the formalisation of the *approaches to the cathedral* were rejected – almost as though they were too papist.

Is the City still in danger of fudging the issue of the rebuilding of the St. Paul's Precincts ? Why is no one, apart from the Prince of Wales, prepared to look at the area as a whole and evolve a solution that will be a civic ornament, an appropriate and humane commemoration of the Millennium of Christianity. The City planners seem unable to give a visionary lead.

Private developers, MEPC, which owns the site known as Petershill to the South of the cathedral between the church of St. Nicholas Cole Abbey and the College of Arms, has presented the results of its competition to find a way of replacing the unsatisfactory and unattractive office blocks and open space laid out in the 1960's. MEPC followed an intelligent and relatively orthodox route of an invited competition from 11 architectural practices. Four finalists were selected and their schemes have been exhibited for a week in a West End Gallery. It is very much to be hoped that the schemes will be exhibited in the City, near the site, so that the public debate can be truly informed.

Michael Hopkins and Partners, Edward Cullinan Architects, Edward Jones Architects, and MacCormac Jamieson Prichard and Wright were the finalists, and the scheme designed by Edward Cullinan has been selected for further development. It is early days to comment, as development proper is unlikely to begin until 1993, but the assessors feel that Cullinan has produced the most humane offices, and a fascinating variety of external pedestrian spaces in the form of courtyards and a fountain walk down towards the river.

What the Petershill competition clearly demonstrates is the willingness of major landowners to go through the sometimes taxing business of rigorous architectural selection. Are they not also willing to look at their own properties within the context of the whole area around St. Paul's? The assessors expressed their anxiety that Mr Cullinan's scheme had too many ideas in it and that it needs considerable refinement. Part of the charm of Mr Cullinan's architecture is that it is always evolving. He plays engagingly with the elements and materials, sometimes with great success and sometimes with a curious wilfulness that spoils his buildings.

Whatever happens at Petershill is crucial for the success of the rebuilding of the area around the cathedral. The need for London to accept a willingness to plan coherently for whole areas looks much further off today than after the war. How curious it is that now that Britain has the architectural talent, there is little or no political will to see that is used for the enhancement of the capital city.

OBITUARY

Herbert von Karajan

Few orchestral conductors have won such musical and administrative prominence as the Austrian Herbert von Karajan, who died on Sunday at his home near Salzburg aged 81.

Karajan was born in 1908 at Salzburg, a city fated to play a large part in his career. His father was a surgeon; the family were originally of Greek-Macedonian stock. The young Karajan studied at the Salzburg Mozarteum, then in Vienna. He made his debut in his native city in 1929 and conducted the Vienna Philarmonic there five years later. By that time he was first Kapellmeister at Ulm in Germany. His next post was at Aachen as General-musik-director, the youngest in Germany. He joined the Nazi party. By the time the war broke out Karajan had conducted the Berlin Philarmonic, was appointed to the Berlin Staatsoper and had won his first recording contract.

Karajan's political attitude during the Nazi years led to difficulties after the war. He was banned from conducting by the Russians but by 1948 was back at the Salzburg Festival. He had made what was to prove fruitful contact with Walter Legge of EMI, founder of the Philarmonia Orchestra in whose early years Karajan played a dominant part, revitalising orchestral music in London as Beecham's LPO had done in the 30s. The combination of Karajan and Legge has equally stimulating effect on recording standards.

On the continent Karajan went from strength to strength. He began an association with La Scala Milan and a longer one with the Lucerne Festival, appeared at Bayreuth in the early years of the Wieland Wagner regime, succeeded Furtwängler in 1955 as principal conductor of the Berlin Philarmonic and remained there until his resignation last April. From 1957 to 1964 he was artistic director of the Vienna State Opera. Like some other eminent conductors before and after him he did not find the post entirely congenial, though he had a second spell in 1977. Links with Salzburg proved long-lasting. In 1967 he inaugurated the Easter Festival and began to mount, year by year, Wagner's *Ring*. The pattern was set of using the Berlin Philarmonic at Easter, the Vienna Philarmonic in the summer.

He found time as well to tour widely with the two great orchestras, to make high-powered recordings (in later years exclusively for Deutsche Grammophon), to devise his own opera productions – simple in conception with broad effects often shrouded in darkness, to encourage scientific research, to sponsor competitions for young conductors, to gather honorary degrees – Oxford gave him one in 1978. In 1983 he was able to add the gold medal of the Royal Philarmonic Society of London. He piloted his own plane and liked fast cars and ski-ing.

The image emerged of a supermusician, a product of the age of high tech, inducing perhaps more wonder than warmth. In London his visits filled the hall at high prices, yet he did not command the affection (as opposed to admiration) given to other leading conductors, some of them less brilliant. Karajan's taste was eclectic within limits, not reaching far back into the past nor (though he did more music of his own time than people remember) probing deep into the present. He was undoubtedly a great master of the orchestra. The sound of one or other of his preferred ensembles from Berlin or Vienna, which he maintained at the very top of the European league, was at once a tonic and a corrective.

When it came to interpretation, certain doubts arose. There were times when big classical or romantic works appeared to slide too effortlessly past the listener's ear and a shortage of direct rhythmic appeal left a gap which tonal refinement and technical mastery could not quite fill. Karajan has left one of the richest recorded testaments of any conductor, made as was his wont under the best possible conditions with the best available executants. Already one detects a critical tendency to revalue more highly some of his past recordings. As with Furtwängler the tide may turn.

Ronald Crichton

Die Zauberflöte

DROTTNINGHOLM COURT THEATRE

It really is not fair. The experience of seeing Eighteenth Century Opera in the historic theatre at Drottningholm spoils one for performances almost anywhere else. Other houses, with Glyndebourne and its recent production of Mozart's *Figaro* on period instruments in the vanguard, may make the crossing to opera in the authentic style, but few will feel as easy on the other side as Drottningholm.

Their Mozart this year was a revival of *Die Zauberflöte*, an ideal choice to show why this theatre is unique. After so many productions which labour effortfully over getting Mozart's fantastic Singspiel on to the stage, that at Drottningholm is a wonder of simplicity. The original stage machinery flies the many changes of scene up and down in seconds (how one prays never to see a single set *Die Zauberflöte* again) and the atmosphere is one of naive enchantment.

Does the performance style here even need a producer? Presumably yes, as the singers are used to one, though it is worth remembering that Mozart would not have expected it. In Göran Järvefelt's production the best moments are certainly those where he leaves well alone, not the twists that give the opera a modern producer's new look. A tendency to keep singers on stage after they should have made their exit was particularly annoying, as it set up bogus relationships between characters.

Nevertheless, this was by and large an evening true to the spirit of the composer, a verdict which applies no less to the music. Even by present standards the conductor *Arnold Ostmanan is a hard*-line authenticist. His *Zauberflöte* allows few concessions to sentimentality and can be controversial on matters of tempo (especially when he changes gear dramatically in the middle of a number) but it is always intellectually vital Mozart to set the mind racing again at the score's originality.

With so much to occupy the eye and ear, the singers tend to take second place. Drottningholm performs the opera in German, but with mostly Swedish artists. That said, it is perhaps invidious to pick out the only non-Swede, the Sarastro of the Hungarian László Polgár, for special mention, but the firmness and depth of his singing made him the outstanding performer of the evening. There was a boyish Tamino from Stefan Dahlberg, a shy, delicate petal of a Pamina from Ann Christine Biel and in Birgit Louise Frandsen, a Queen of Night who sets sparks flying in her headlong second aria.

One of Järvefelt's examples of producer's licence is to make the time and place of the opera Sweden at its historic height, opening with a backdrop of the palace itself. Drottningholm as an operatic Temple of Wisdom? Now that is not such a bad idea.

Richard Fairman

Ann Christine Biel, Stefan Dahlberg, László Polgár

Alastair Muir

Dorottya Udvaros (Natasha), Erika Bodnar (Olga)

Three Sisters

OLD VIC

For the uncomprehending spectator the absence of the dimension of language in a foreign-spoken production throws an extra emphasis on to the characters' physical behaviour. At one point Irina, the youngest of the Prosorov girls, flings a jug of water over herself in an attempt to cool down physically and emotionally. This epitomises the approach of the Katona József Theatre's *Three Sisters*, running in tandem with *The Government Inspector* at the Old Vic until July 22. The Hungarian company gives us passionate Slavs, not the well-bred and tightly buttoned-up English middle classes so beloved of our own Chekhov tradition.

Nor is the latest British trend to find the laughter of light comedy in the great works much in evidence. Tamás Ascher's production is fairly dour, set in boxy, firmly-ceilinged interiors (no designer is credited in the programme) that affirms the claustrophobia of provincial life more than reminding us of the country. And the last act's design is both ugly and confusing: either a semi-enclosed verandah or a courtyard, *one side open* to nocturnal darkness that grows blacker throughout the action, with a black cloth slung above the scene. After the cautious realism of the preceding settings this lurch into the even more cautiously symbolic comes as a jolt.

The stifled desperation that informs these stunted lives occasionally erupts into violence. Masha hurls herself on her departing lover and pummels him furiously before sprawling on the ground and baying like a heartbroken child. Olga's final speech is drowned by the advancing music of the military band as she runs from side to side shouting ineffectually. And Masha's cuckolded husband, the schoolmaster, usually played as a wistful wimp, is here a bulky, self-importantly booming bore, not above using a threatening tone to his listless wife or subjecting her to a passionately aggressive kiss – to her disgust.

The production's gloomy mood would recall the old-fashioned "soulful" playing of the Russian classics were it not for the underlying note of tugging urgency that bespeaks genuine hopelessness and soured scepticism rather than emotional self-indulgence. Masha's boredom is chronic; there is not even that sudden note of interest most actresses give to her decision to stay to lunch after all on meeting the newcomer Vershinin. Their affair seems perfunctory though she is pale and drawn at his departure. The pessimistic conviction that nothing changes is illustrated by the bossy and vulgar Natasha, for once dressed in sufficiently bad taste at her first appearance to merit Olga's gentle reproach; but hideously dressed thereafter, whether in a *negligee* that makes her look like Carmen or sporting the garish stripes of provincial elegance.

This is a one-sided but valid interpretation of the play, plausible but incomplete. None of the sisters asks for sympathy in this unsentimental production, and the only warmth comes from the Baron Tusenbach of Janos Ban, taking time off from his Khlestakov in the Gogol work, that bonily sincere face fleetingly revealing tenderness and concern. In this raspingly unromantic world Solyony (Géza Balkay) is simply an unhappy and lonely misfit, not the failed Byronic or Pushkinesque outsider he aspires to be in some productions. At three and three quarter hours, with three intervals, it makes for a long evening of insufficiently varied gloom.

Martin Hoyle

Carthaginians

HAMPSTEAD THEATRE

Derry delenda est. But there *are survivors. At first glance* the new play by Frank McGuinness, with its cast of seven oddballs in a Derry graveyard, looks like Samuel Beckett with *elephantiasis*. Wendy Shea's set slopes upwards to a bleak grey horizon. On one side a precarious erection of odds and ends of rubbish totters crazily to the sky; on the other a mute young man lolls against one of the worn dolmens that testify to the garden's purpose.

McGuinness is best known for his award-winning *Observe the Sons of Ulster Marching Towards the Somme.* The new work marks a sad falling-off: formless, discursive, and so deeply felt as to be occasionally incomprehensible. To accuse a play steeped in the *memory of Bloody Sunday of* being insubstantial may be callous, if not wrong-headed; but references to that tragic January day in 1972 seem to be dutiful homage, glancing obeisance, or cues for drama rather than an organic part of the plot. Like the characters the play is painfully contrived.

Here is old Maela, laying out a little girl's clothes on the ground and addressing the invisible presence of her *daughter*, dead from cancer at 13. Here is spiky, vulnerable Greta tending an injured blackbird. Here is Sarah, the most normal-seeming of the women, with a history of drug addiction. Paul, an ex-teacher, has bouts of madness and is building a pyramid of rubbish. Seph has not spoken since his betrayal of his comrades. Angry Hark, the gravedigger, has had some sort of relationship with Sarah, and currently repels the advances of Dido.

Dido is not the Queen of Carthage but a queen of Derry: bleached blond, eyes made up, *he first appears* in a salmon pink suit and blue boots with pink laces, pushing a pram with the supplies needed by the miracle watchers. For the women, *Paul and Seph* await a resurrection. The poetic mood one expects never materialises. Instead, the author shows an alarming slide towards cliché and *banality*.

Characters are inconsistent, changing for no apparent reason. The first act is desperately padded out with comic coarse theatricals. The second half sees the sort of general knowledge quiz in which Dido and Maela starred in pubs at some point in the past – but when? And when did Maela become unhinged? Really on Bloody Sunday, her daughter dying to coincide with the political casualties? What are *these* people's backgrounds? Sudden revelations are laboured, applied rather than growing from situation or character. This has the feeling of a bottom-drawer play hastily reworked after another success.

Sarah Pia Anderson coaxes *fine performances* from the company, especially from Stephanie Fayerman's flawed, prickly Greta and Sorcha Cusack's touching old Maela. As yet the work scarcely coheres. In the circumstances the nudging parody of an O'Casey speech looks like breathtaking hubris.

Martin Hoyle

ARTS GUIDE

July 14-20

July 14-20

MUSIC

London

Rostal and Schaefer play grand piano classics including Gershwin, Chopin and Liszt. Barbican (Wed) (638 8891).
Grand Piano Classics Rostal and Schaefer playing Gershwin's rhapsody in Blue, Liszt, Addinsell, Debussy, Chopin and Scott Joplin. Barbican Centre (Wed) (638 8891)
Sir Isaiah Berlin birthday concert conducted by Sir Neville Marrioner with Julie Varady (soprano). St Martin in the Fields *(Mon) (928 3000)*
London Bach Orchestra directed by Nicholas Kramer (harpsicord), playing Bach, Vivaldi and Handel. Barbican (Thur) (638 8891).

Paris

Romantic music performed on musical instruments of the time: Spohr, Mendelssohn, Schumann, Schubert (Mon). Auditorium des Halles.
Baroque music. Vocal and instrumental ensemble Il Piacere conducted by Gerardo Rabago Palafox. Manuel de Sumaya, a Mexican composer contemporary of J.S. Bach. Saint-Severin Church. Both concerts are part of the Paris festival Estival (48049801, *in English* 47208898).
Bastille Opéra inaugural concerts. Soviet Conservatory Festival Orchestra: Berlioz, Prokofiev, Tchaikovsky (Mon).Indiana University School of Music Festival Orchestra: Bernstein, Lalo, E. Carter, Ravel (Tue). New World Symphony Orchestra: Berlioz, Bartok, Stravinsky (Wed). *All* the Bastille concerts take place at 8.30pm in the Grande Salle (40011616).

Summer festivals in France.

Orangerie de Sceaux in the Paris region. July 22 - Sept 3 (46600779).
La Chaise-Dieu in Auvergne, Aug 23-30 (71000116).
Beaune in Burgundy, June 30 - July 22 (80222451).
Montpellier, July 11 - Aug 2 (65528393).
Saint-Jean-de-Luz, Aug 30 - Sept 16 (59260316).
Provence, Cote d'Azur.
July 7 - Aug 8 (90342424).
Avignon, July 12 - Aug 3 (90862443).
Aix-en-Provence, 10 - 30 July (42233781).
La Roque-d'Antheron, Aug 1 - 23rd (42505115).
Menton, Aug 5 - 31 (93575700).

Brussels

BRT Philharmonic Orchestra conducted by Fernand Terby with Jerrold Rubinstein (violin) and Jacqueline Herbein (piano). An evening of American Composers (Thur). Maison de la Radio.
The McGill Chamber Orchestra conducted by Alexander Brott with Ludovic de San (baritone), Luc Devos (piano) performing Brott, Mozart, Saint-Georges and Telemann Palais Provincial du Brabant *(Mon).*

Vienna

Slovik Philharmonia, conducted by Zdenej Kosler. Dvorak, Smetana. Arkadenhof (Tues).
Trio di Trieste. Ravel, Brahms. Palais Schonbrunn (Wed).

Munich

Brandis Quartet playing Mozart, Schubert and Wolf. (Thurs)

Aurich

Fifth East Friesland Summer Music. Soloists and Chamber Orchestral Concerts. Johanna Picker and David Lauri, Violoncello; Iwan König, piano; Hugo Noth, accordeon; Peter Van Dinther, trumpet. until August 6.

Frankfurt

Evita, the Andrew Lloyd Webber musical in the orignal Broadway version, with Florence Lacey. Alte Oper.

Rome

Piazza del Campidoglio. *El Tangoxix contemporary versions* of the tango sung by Milva with Astor Piazzolla (Wed) and Peter Vronsky conducting Smetana and Dvorak (Thur) (6541044).
Villa Medici: Romaeuropa Festival. Marc Minkowski's baroque orchestraLes Musiciens du Louvre playing Mehul(Thur) (4744776 or 6544601/2).

Pontino festival

Latina: Palazzo Della Cultura. Camerata Academica des Mozarteums Salzburg playing Respighi, Vivaldi and Mozart conducted by Sandor Vegh (Latina 40251).

Spoleto: Two Worlds Festival.

Main square.Festival closes with traditional open-air concert:Spiros Argiris conducts Mahler's 3rd symphony with contralto Ruthild Engert, the Viennese Jeuness Choirand the Tolzerknabenchor (Rome 353.360 and Spoleto 40295).

New York

Mostly Mozart Festival. Chamber music concert featuring Jean-Pierre Rampal (flute) and John Steele Ritter (harpsichord and piano). Mozart, Boehm, Telemann (Mon); Festival Orchestra conducted by Gerard Schwarz with Alicia de Larrocha (piano) and Roberta Alexander (soprano). Mozart, Beethoven, Mendelssohn (Tue, Wed); Concert Royal conducted by James Richman in a programme of French music of Mozart's time on original instruments (Thur). Avery Fisher Hall (874 2424).

Chicago

Ravinia Festival. Philip Glass Ensemble. Glass programme (Mon); New York Philharmonic conducted by Erich Leinsdorf. Brahms, Beethoven, Bizet (Tue); Smetana, Brahms, Wagner(Wed); Chicago Symphony Orchestra conducted by Andrew Litton with Sylvia Rosenberg (violin) and Robert Levin (piano). Ravel, Schumann, Liszt (Thur). Highland Park (728 4642).

Tokyo

Yuriko Kuronuma, Jan Penenka (piano duo). Martinu, Brahms, Shostakovich. Suntory Hall (Mon) (235 2234).
Traditional Japanese Music.Bryan Yamakoshi (koto). Casals Hall (Mon) (263 4338).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Monday July 17 1989

A grandiose summit stage

ALL SUMMITS of the Group of Seven major industrial countries are stage-managed, but none before has seen the stage so completely dominate the actors. President Mitterrand's show in honour of the Bicentenary of the Revolution would have amazed even Louis XIV by its scale.

While President Mitterrand acted like a latter day Bourbon, Mrs Margaret Thatcher auditioned for Pitt the Younger. The Revolution started a war between Britain and France that lasted, intermittently, for a quarter of a century. From time to time, it appeared that the bicentenary would have an equally devastating impact on Anglo-French relations. But Mrs Thatcher's oversimplified views on the French contribution to the cause of human rights were more than satisfactorily countered by the simplistic comments of Mr Michel Rocard on contemporary British politics. Honour should be satisfied.

But what of the summit itself? The stage may have been overbearing and some of the actors almost ludicrous, but it is still an occasion of importance, if not for economics alone. The G7 has turned itself into a global directorate with an emphasis on economic affairs. This particular directorate may be self-appointed, but the role of its members is inescapable, accounting as they do for 70 per cent of total global product (excluding only the Soviet Union and the countries of eastern Europe).

Defining process

The summits themselves have become an occasion, rather than an opportunity for serious discussion. The valuable part comes before, in the preparation of the communiqué, a process that forces the governments of the G7 countries to define areas of agreement and disagreement. The present summit has, for example, registered the present consensus on the importance of the environment, while demonstrating disagreement on the future of exchange rate co-ordination, on the priority to be accorded to control over inflation, and on how far there should be enhanced support for debt reduction.

Inevitably, the texts look hypocritical at times. The Chinese might well be bemused by the criticisms they have received, given the identity of some of the guests at this celebration of human rights. A pledge to "oppose the tendency toward unilateralism, bilateralism, sectoralism and managed trade" comes strangely from a summit whose two leading participants are the US and Japan. Equally striking is the emphasis on "common efforts to limit emissions of carbon dioxide and other greenhouse gases," when the US, for one, has found it politically impossible to increase taxation on its egregiously wasteful use of petrol.

Gorbachev letter

What may be best remembered about this summit, however, is the role accorded to the Commission of the European Communities in relation to reform in eastern Europe. Remarkable in this context was the letter from President Gorbachev, especially when one remembers the world scene when the summits began. Whether the Soviet Union can play a useful role in the international market economy is uncertain; that it wishes to do so remains astounding.

With a long economic expansion behind them too, it is no wonder that the main impression given by the participants is one of complacency. The G7 is sure that the world is going its way and, for that reason, contemplates no bold economic initiatives. History tends to be disrespectful to such complacency. One can only hope that it will turn out to have been justified when the G7 next meets, but one can at least be sure that American staging will be on a more modest scale.

Turn again, Parkinson

WITH courage and some sacrifice of pride, the Thatcher Government could even now abandon the worst aspects of its electricity privatisation proposals and produce a much improved structure.

The excessively tight timetable for a sale would have to be scrapped, but the Electricity Bill, now almost complete, is broad enough to become the basis of a much more sensible scheme.

The plans are deeply flawed by the decision to set up a wholesale market in electricity with only two players, National Power, owning 70 per cent of the plant including nuclear stations, and PowerGen owning the rest. This was a compromise between the desire to introduce competition, and the need for a company capacious enough to float off nuclear power. But the nuclear sector now appears so uncompetitive that it threatens to sink the whole project. The raft of subsidies now envisaged exposes the fragility of the economic rationale.

Moreover, the resulting concentration of producers' power – almost inviting future attention by the Monopolies Commission – has made it nearly impossible for the two generators and the 12 distribution companies to agree supply contracts which are fair to both sides. The argument turns on whether the distributors (which succeed the present area boards) should be guaranteed a *de facto* franchise to serve all except the largest customers in their area, or whether contracts should be loose enough to allow the generating companies to compete freely in the industrial sector.

Diverse sources

In a market with diverse sources of supply, such competition could produce significant economic benefits, by bringing tariffs into a closer alignment with the true costs and by encouraging imaginative new patterns of supply. However, the dominance of only two suppliers creates a strong risk that the potential benefits of competition will be swept away by monopoly power. One of the most obvious dangers is that the incumbents will make use of the wide spread of existing assets to prevent independent generators from gaining a foothold, especially if these assets are sharply written down for the sale.

The Government's advisers have sought to mitigate the market power of the two generators by tying up their spare capacity with very detailed plant-by-plant contracts. This has been made even more complicated by bolting on computerised pooling systems intended to override the contracts to ensure that power stations with the lower running costs are switched into the system (despatched) first. This pooling system will be cumbersome and perhaps unworkable if a significant number of independent competitors try to join the producers' club. It also fails the test of an efficient spot market, that it should signal the true short-run cost of production from producers to consumers.

Credible competition

These difficulties would be very much less if the power generation market were subject to the disciplines of credible competition, and a true spot market. Since new competitors will emerge slowly, if at all, the Government should do now what it should have done 16 months ago: accept that nuclear power must remain for the time being in the public sector and divide the other power stations between four competing companies. This would be difficult, but by no means impossible, considering how efficiently the CEGB accomplished its last amoebic division.

The establishment of a genuinely competitive power market on such a scale would be a bold act, without precedent in the industrial world. But many previous doubters in the industry believe it could work if the CEGB's monopoly were more decisively broken. Then the rest of the Government's plans would need little alteration. However, the independence of the national grid is so important that it should be run by an entirely separate company instead of being jointly owned by the distributors as now planned.

A resulting delay could be entirely beneficial for an industry now in a turmoil of uncertainty. Mr Cecil Parkinson, the Energy Secretary, deserves credit for the fact that the exercise so far has flushed out the true costs of nuclear power, and raised important questions about the industry's most cherished assumptions, especially that large companies are needed to build ever-larger coal-fired power stations. In the light of the new information he should accept that mistakes were made and rectify them.

Ian Davidson looks at the durability of France's Socialist Government

In need of a winning mixture

AGAINST all initial predictions, France's minority Socialist Government, led by Mr Michel Rocard, is still riding high as it ends its first year in office. The Prime Minister is personally popular, the economy is humming along at a rate of expansion which keeps outperforming previous forecasts, and the opposition parties are in a turmoil as great as in the immediate aftermath of last year's presidential and general elections.

As a result, it begins to look as if Mr Rocard has a plausible chance of staying in the saddle for some time. A year ago, conventional wisdom was that Mr Rocard had only been chosen as a short-term sacrificial victim. President François Mitterrand, in this cynical view, wished to scupper Mr Rocard's chances of challenging for the presidency in 1995, expected him to have difficulty leading a minority government, and intended to discard him when he had used up his credit with public opinion.

If that was the plan, it seems to have gone wrong. Mr Rocard has survived his first 12 months with his reputation enhanced, and his success with the public appears to have imposed itself even, to some degree, on his own party. To judge from a recent meeting of the executive committee of the Socialist Party, it seems that his rancorous rivals on the left have concluded that, for the time being, there is little point in disputing the merits of the Rocard Government's policies, or in protesting at Mr Rocard's version of social democracy, underpinned by his taste for compromise and negotiation.

The Greens' rise and the increasing abstention-rate are worrying signs of disenchantment

Yet the success of this first phase of Mr Rocard's Government cannot hide the fact that the Socialist Party faces two big problems. The first is the succession to the party leadership. President Mitterrand is most unlikely to want to stand for a third term, since he will be 78 in 1995, and already the jostling to win control of the party ahead of the presidential succession is becoming intense.

At this stage, three figures are reckoned to lead the field: Lionel Jospin, Education Minister and former party secretary, Laurent Fabius, President of the National Assembly and former Prime Minister, and Michel Rocard. Mr Fabius may be the choice of President Mitterrand, but his poor performance in the recent European Parliament elections is clearly a setback. Mr Jospin's position will depend on the outcome of his heroic efforts to reform the French education system, on which the jury is still out. Only Mr Rocard can claim a pretty clear record of success, but his is the hottest seat of all.

The second problem – of minority government – is more fundamental. The Socialist Party remains the largest single party in parliament and the conservative opposition parties are divided. The experience of the past 12 months suggests, therefore, that Mr Rocard should not have too much difficulty, in the next 12 months, in pushing through the kind of moderate policies he is likely to favour. His honeymoon is not likely to last for ever, however.

The Socialists are the biggest single party – but only so long as the right wing is fragmented. If the conservatives were to overcome their divisions, the Socialist Party would be in much more trouble. This does not seem an immediate prospect, since right-wing personal and historical rivalries remain vigorous.

Although moderate social-democratic policies may be what France now wants, a party identified with moderate social democracy does not seem to stir the excitement of the voters. The Socialists have not been able to replicate their landslide victory of 1981 and there is no sign that they have a recipe for doing so.

However, these are minor difficulties compared with those of the right. The verdict of the 1988 presidential and general elections was that the right has little chance of returning to power unless it can unite its various factions, but there is so far no consensus between the clan leaders on how this is to be done.

Some young conservatives, both among the Gaullists and in the other right-wing parties, concluded earlier this year that the essential first step was to outflank the entrenched leaders of the old parties by setting up some sort of reformist cross-party formation. They believed that their leaders had exhausted their credibility, that party policies were out of date, and that the dividing lines between the traditional conservative parties were not merely irrelevant, but counter-productive.

Mr Jacques Chirac, Gaullist leader, had twice run for the presidency and twice been comprehensively defeated; the Gaullists needed a new champion, but the tight hold of the party apparatchiks would effectively rule out any challenge from inside.

The ideological antagonisms between the Gaullists, Liberals and Christian Democrats (who now call themselves Centrists) no longer make much sense in the late 1980s. In particular, the populist and nationalist inheritance of the Gaullist movement has become a particularly glaring anachronism since the 1986 turnround of Gaullist party policy on Europe, from a posture of haughty independence to one of support for European integration.

Unexpected success story: President François Mitterrand with (left) his Prime Minister, Mr Michel Rocard

The challenge of the young conservatives erupted with sudden force this spring, after municipal elections in March, in which Mr Michel Noir, a former Gaullist Foreign Trade Minister and rising star, unexpectedly captured the town hall of Lyon. Emboldened by his success, he and a number of his friends decided to mount a formal challenge to the old-guard conservative leaders. The battlefield for the challenge would be the June elections to the European Parliament.

Until that moment, the official conservative plan had been to field a single list of candidates for Strasbourg, to be headed by former President Valéry Giscard d'Estaing, in his capacity as leader of the UDF grouping, a loose confederation of all the non-Gaullist conservative parties. The threat of the young conservatives was to field their own list of candidates in opposition to the Giscard list.

Even before the young conservatives launched their challenge to the old guard, however, the official Gaullist-UDF plan was in trouble. The Centrists, led by Mr Pierre Mehaignerie, refused to go along with it, distrusting the Gaullist conversion to Europe, and they threatened to field *their* own separate list, unless a united conservative reformers' list could be agreed.

In the event, the rebellion of the young conservatives collapsed as suddenly as it had erupted. Within two weeks, the Gaullist hierarchy gave an impressive display of machine politics, cowing the young reformers into absolute submission to the official line.

Michel Noir and his friends have continued to proclaim that their reform movement is still alive and well, and opinion polls suggest that the aim of the reformers is popular. But the European poll was probably the last real opportunity to challenge the party leadership, before the court of public opinion, until the general elections scheduled for 1993. The chance has been lost and the old guard are likely to remain in charge for some long time.

Worse was to come. The Centrists duly fielded their own list of candidates in the European elections, under the much respected leadership of Simone Veil, former President of the European Parliament. Yet Mrs Veil's reputation failed to save the Centrists from a serious setback. They came fifth with less than 9 per cent, significantly less even than the extreme right-wing National Front or the Green party. Indirectly, this was a setback not just for the Centrists, but also for the young reformers. By contrast, the official Gaullist-UDF list, led by Mr Giscard d'Estaing, came in first with nearly 29 per cent, over 4 per cent ahead of the Socialists.

The victory of Mr Giscard d'Estaing and the defeat of Mrs Veil ought to have been a cause for rejoicing in the traditional conservative camp; in fact it was greeted with dismay by all Mr Giscard d'Estaing's rivals. They had hoped that he would withdraw to an innocuous retirement in Strasbourg; they now feared that he would claim to be the leader of the opposition, and even aspire to recapture the presidency.

Mr Jacques Chirac, who had previously been assiduous in preaching a hazy form of "unity" among conservative parties, instantly rejected Mr Giscard d'Estaing's proposal for a "fusion" between the conservative parties. By contrast, Mr François Léotard, leader of the liberal Republican Party, was just as quick to call for a united opposition party, and to warn Mr Giscard d'Estaing (and for good measure, Mr Chirac) against any renewed presidential ambition. "Their capacity to govern the country is not in question," he said, "what is in doubt is the capacity of the French to want them to govern."

Mr Léotard is probably right. Nevertheless, it seems likely that Mr Chirac and Mr Giscard d'Estaing will continue to claim a leading role over their younger rivals; that their personal ambitions will be a bar to any far-reaching rearrangement of party structures; and that a united opposition party will be a long time coming.

One of the consequences of the divisions among the traditional right-wing parties is that they cannot mount an effective strategy for containing the embarrassing presence on their right of the National Front. The Gaullists, in particular, are split over whether to move to the right to recover votes lost to the National Front, or whether to move left, to join forces with the Liberals and Centrists. Mr Mitterrand, after all, stifled the force to his left, the Communist Party, first by forming an alliance with it, then by discarding it. But the right cannot repeat this trick with the National Front unless it can first unite.

Superficially, therefore, the Socialists ought to be able to face the future with confidence. And yet, behind the immediate reassurance of the public opinion polls, and the difficulties of the opposition, there are ominous signs for the longer term: the explosive rise of the Greens and the steady increase in the abstention-rate in recent elections, are worrying indicators of popular disenchantment.

This affects the traditional conservative parties as well as the Socialists. But many of the French Socialists, who were pursuing very traditional left-wing policies only seven years ago, find the experience more worrying. It goes against the grain to urge support for policies which they believe are insufficiently socialist.

Paradoxically, the medium-term Socialist dilemma is highlighted by the apparently unstoppable decline of the Communist Party. During the 1970s and early 1980s, this decline was the mirror image of the rise of the Socialist Party. Today the Communist role is that of a buffer for the minority Socialist Government, to ensure that it cannot be brought down by a censure vote.

So far, it has been an effective buffer, but it may not be indefinitely reliable. The Communists have refused to acquiesce in censure votes which might bring the conservatives to power: but they do not like Michel Rocard's centre-left policies, either.

Moreover, it looks as if the decline of the Communists is still continuing: in the European elections, they got less than 8 per cent, compared with more than 22 per cent in 1967. The Socialists urgently need to take up the difference, by finding new ways to expand *their* share of the vote. What can they put in place of the old recipes, which would be both socialist, productive and motivating? That is not an easy combination.

Mr Rocard and his friends would obviously like to persuade both the party and the people that the answer is something loosely called social democracy. But it is not at all clear that the bulk of the Socialist Party is ready for the idea that it needs to rethink its identity.

OBSERVER

BB in the limelight

■ What has a gross domestic product the size of Tunisia, owns land twice the size of Luxembourg, and now runs the economy of a country the size of India ?

The answer is Bunge and Born, the multinational corporation which since setting up its Buenos Aires headquarters in 1884 has spread across 80 other nations, including Britain, Japan, South Africa and Sweden. Its heart remains in Belgium, the home of its founders.

The death of the chain-smoking Miguel Roig on Friday left new President Carlos Menem in little doubt about who should step into the Economy Ministry – another senior figure from Bunge and Born.

Nestor Rapanelli, currently Bunge and Born's vice-president, graduated in chemical engineering from Lima University, Peru, and has spend most his life at the company, one of the world's five most powerful grain dealers.

Relations between Peronism and Bunge and Born have not always been so cordial. In 1974 Juan and Jorge Born, the two brothers at the top of the family firm, were kidnapped by Mario Firmenich of the urban terrorist group, the Montoneros. They were released after a $60m ransom was paid to the ultra-right, Peronist supporting Montoneros.

Since then "BB" (as it has come to be known) has concentrated its activities outside Argentina, where according to some estimates its market share of the grain trade is only 8 per cent. BB is comparable in size to Coca-Cola or Nestlé, but in terms of internal secrecy its only real rival is the US firm of Mars. Like Mars, it has no shareholders; in most countries from which it operates it has no legal need to publish accounts.

President Menem is trying hard to sell the Bunge and Born involvement in his Government as step one of a social pact between business, politics and workers. But the truth of it is that if the relationship collapses, BB has less to lose than the Peronist party, which is already starting to have a tough time selling the arrangement to its traditional supporters, the trade unions.

Aussie games

■ It was D. H. Lawrence who pointed out that Australians play sport as if their lives depended on it. Certainly they follow it as though it were a religion. This week they feel they're ahead, by a margin of about two to one.

First, the cricket. In a federation where loyalty to state matters more than to nation, nothing provokes national unity more than bashing the Poms with bat and ball. With two Aussie victories and one rain-affected near-miss in the six-match series, eyes are glazed from a surfeit of late-night live television.

Then there's the rugby – league, that is, not the other sort. In Rotorua, New Zealand, Australia yesterday beat the Kiwis in the Second Test to clinch the three-match series. Although the game was uninspiring – the score was 8-0 – there were cheers all round in New South Wales and Queensland, where the sport has a massive following.

But there is also the Wallabies' loss to the British Lions in rugby union. In the third match decider on Saturday, the better side won, but an extraordinary blunder on the Aussies' own try line ensured a narrow 19-18 defeat and gave away the series.

Of the three, the union result is probably the least important to Aussie sports fans. Like league, the game is played mostly in New South Wales and Queensland. But it is a poor cousin next to the more aggressive league game. In Victoria and South Australia, neither really matter. Football there means something else again: the even faster Aussie Rules. It also means more money, and bigger crowds.

"According to this, our paté's been delayed at Gatwick."

Quiet BAT man

■ The paths of many of those involved in Sir James Goldsmith's bid for BAT Industries have crossed before. One of the most striking instances concerns Sir Mark Weinberg, the South African lawyer who started the Allied Dunbar life assurance group 18 years ago.

Weinberg has been a main board director of BAT since December, 1984, when the tobacco-based multinational bought Allied Dunbar. But the 57-year-old knight is also a director of J. Rothschild Holdings, the company chaired by Goldsmith's henchman, Jacob Rothschild. Hence the appearance on Wednesday morning of a brief announcement from BAT that Weinberg would be taking no part in discussions of its response to the bid.

The assault on the tobacco group came as just as much of a shock to Weinberg as it did to everybody else. Still, it is a shame for BAT that he will be out of action during the hostilities, not least because he is an expert on takeover law and wrote a text book on the subject some years ago. Since he is also deputy chairman of the City's central watchdog body, the SIB, he would have a keen eye to spot any funny business on the other side.

Not her style

■ Mrs Thatcher did not enjoy herself during her visit to Paris. She would have preferred to be somewhere else, and did not mind anyone knowing. Not only did she face various indignities and insults from her French hosts; she had to endure the interminable, though admittedly spectacular, parade of the nations on Friday evening. Not long into the proceedings she could be seen tapping her feet. One US official wondered whether she had suddenly got "rhythm." But no, it soon became evident that the insistent tapping was of irritation, not musical syncopation. The trouble was she could not escape and was stuck there for more than two hours. The Prime Minister was in the – to her – unfamiliar position of being bored at dinner, praying for the coffee. It came after midnight.

Part of the problem was that, for the first time in eight years, she did not have her friend, Ronald Reagan, to back her up. While President Bush was publicly friendly, she was exposed to the rougher tactics of her old rivals from France and West Germany.

Odd mix

■ A pretty girl on a bus in Victoria Street, yesterday was observed carrying a copy of The Joy of Sex and a large fire extinguisher.

صحكذا من الاجل

Tim Dickson reports on measures to liberalise the European airline industry against strong opposition

The turbulent flight to deregulation

Developing a common European policy for air transport is one of the most challenging tasks yet to be accomplished on the way to the single market.

Aloof from the process of Community integration for 30 years after the Treaty of Rome was signed in 1957, scheduled air services within Europe are *still* controlled by a system of bilateral agreements between member states. The "historic" reforms piloted through in December 1987 by Mr Peter Sutherland, then the Competition Commissioner, were a welcome first step in breaking the cartel – but, as any ordinary traveller or would-be operator will confirm, these measures have not visibly transformed the European market place.

That is why the vital second stage of EC airline deregulation is in preparation in Brussels, with what promises to be a turbulent journey through EC negotiations over the next 12 months. If all goes according to plan, a formal proposal offering new freedoms for airlines to introduce cheap fares, and significantly loosening the current stranglehold of member state governments over air transport, will be agreed by the Commission in the next three weeks. Mr Karel Van Miert, the EC's Transport Commissioner, will then present it to EC Transport Ministers at their next meeting in Brussels in September.

Notwithstanding initial suspicions about a Belgian socialist's enthusiasm *for the cause, Mr Van Miert is emerging* as a keen advocate of faster change. Along with Sir Leon Brittan, the present Competition Commissioner, he will be responsible for leading the Commission's campaign.

Reaction in some corners of the Community (notably France, Italy and Greece) is certain to be as fierce

1992 THE EUROPEAN MARKET

as initial responses to the last Brussels assault. And there is growing awareness that a coherent air transport policy for Europe requires more than a fresh dose of liberalisation; that competition policy must play an imaginative role; and that ultimate success in securing a better deal for the consumer can only be achieved if infrastructure problems such as air traffic congestion and the increasingly inadequate size of existing airports are effectively tackled. The lessons of deregulation in the US are also important in the discussions ahead.

A full report on the results of deregulation's first stage is still being completed inside the Commission but verdicts in Brussels and from airlines themselves already range from "disappointing" and "patchy" to "more or less what we expected."

"The first step is always the most difficult and change is not something that anybody does lightly," observed Mr Kees Veenstra, general manager of aeropolitical affairs in the Association of European Airlines (AEA). "The important thing was that it addressed the three central issues of the airline regulatory framework: market access, the system of capacity sharing between governments, and prices."

Under the 1987 rules governments are prevented from barring new fares based on real economic costs, while discount fares for off-peak periods and special categories of traveller must be approved automatically if they come within fixed bands (known as the discount and deep-discount zones).

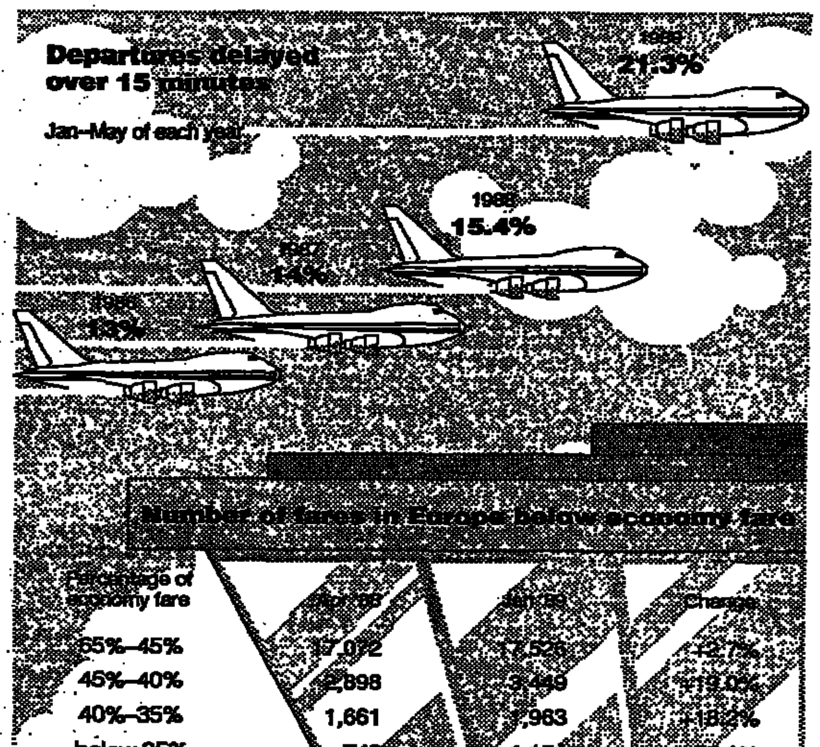
The more aggressive smaller airlines such as *Air Europe of the UK*, Ryanair of Ireland, and Transavia of Italy have taken advantage of these new freedoms. Established national carriers such as British Airways, Lufthansa and Scandinavian Airline Systems (SAS) have been joining in too. The extra competition is thought to have had at least a modest effect on ordinary tariffs. One European Commission official said last week that on the basis of evidence gathered by Brussels, "economy fares have fallen by 15 per cent in regions where the more aggressive airlines are active."

Figures supplied by the 186-member International Air Transport Association (IATA) in Geneva, meanwhile, suggest that there is a trend towards more promotional fares. On routes within Europe between April 1988 and January this year the number of available fares pitched at between 40 per cent and 45 per cent of the full economy price increased by 19 per cent to 3,449.

The Commission's second phase of deregulation will include:

● Limiting governments' power to block fares. The key weapon being prepared is "double disapproval," which implies that any new fare can only be blocked if both governments involved in negotiations over the route are opposed, compared with the present situation which requires both member states to give formal consent. Such a system, it is acknowledged, could backfire if two conservative governments are involved. Brussels policymakers are building in safeguard clauses to curb excessive and predatory pricing.

● Relaxation of traffic sharing rules. New freedoms to fix cheap fares are of little use to the travelling public without opportunities for the more dynamic carriers to expand and for new operators to penetrate the market. The first stage sought to change the power of governments to insist on a rigid, anti-competitive 50/50 sharing of traffic in services between their country and other member states. The rule for the moment is that a government can only intervene if its airline's share falls below 45 per cent of the total two-way traffic; from October 1 it will drop to 40 per cent.



Irish, Dutch and Spanish airlines are among those now said to be nudging up against even the more relaxed limits – a justification which the Commission will use for proposing a two step move to 25/75 by April 1 1992. The logic of the single market is that the process will only be complete when these obstacles go completely.

● *Cabotage. The package will also* contain the first steps towards cabotage – the ability of an airline from one member state to offer services on routes between other countries. A further step in the same direction will be to raise the size of aircraft excluded from all bilateral capacity controls from 70 to 100 seats. This should speed up the already significant development of regional services linking in to the big airport hubs.

● Greater market access. This is central to the liberalising process but is possibly the biggest challenge for those trying to reshape the air transport sector. Some modest results have been achieved in the first stage with the new right of "multiple designation" (permitting a government to authorise several companies to service the same route) and so-called "fifth freedom" rights (picking up and setting down passengers at an intermediary point *en route to another destination*).

However, government obstacles remained in the way. Aer Lingus, the Irish state carrier, is developing services to the Continent via Manchester in the UK; its efforts to fly on to Milan have been thwarted by the Italian Government. A big obstacle in the way of a single market is that governments can still turn down applications from their own national airlines to operate a new service, even if that service meets economic requirements and is identical to one run by another country's airline (and which the host government under the existing rules would be obliged to approve).

The problem is exemplified by Union des Transports Aériens (UTA), the independent French airline. Its request for traffic rights to North American and European destinations was turned down last year by Mr Michel Delebarre, the French Transport Minister, in favour of closer cooperation between state-owned Air France and state-controlled Air Inter.

UTA filed a complaint in Brussels *last December saying that the decision was discriminatory and flouted* the EC's competition laws. It called on the Commission to intervene and followed up the request with a threat to sue the Community authorities if something was not done soon.

The Commission is still pondering *how* or whether to proceed with a highly complex case which would break new legal ground. But the new package will contain measures which, according to a provisional draft of the proposals, "will grant airlines that meet the necessary technical and economic requirements the right to operate the services covered by the market access provisions."

Whatever happens in the EC, consumers should not expect the cost of air travel to come into line with the US – at least for the foreseeable future. However much Brussels enviously eyes the single air transport market across the Atlantic – the 12 sovereign airspaces in the EC are the big constraint – the enthusiasm of the liberalisers is tempered by Europe's less capitalist tradition.

"The US deregulated but forgot to apply anti-trust," one EC airlines expert argued this week, adding that "seven to eight mega-carriers now control about 95 per cent of the capacity." Another lesson from the US is the importance of air transport infrastructures – notably adequate airport facilities and air traffic control capacity. Travellers in Europe are now familiar with congestion in the skies – in May this year, for example, 22.6 per cent of international short/medium flights were delayed on departure – but the feeling in Brussels is that with the right technology and political will this problem is relatively easy to overcome. There is much more concern about how passenger pressure on the big hub airports in the Community can be relieved.

The European Market column continues on Mondays on the Overseas pages.

LOMBARD

Still soppy on union power

By Samuel Brittan

THE INSTINCTS of soppiness and sentimentality towards union power of sections of the British middle class have come to the surface again in the recent rail disputes. The tradition goes back a long way.

Even political economists *who have seen quite clearly* the harm done by union monopoly have surrounded their analyses with soft soap. In our own day, radical economists with proposals to curb monopoly power in the labour markets have gone to great and unconvincing lengths to show that they are not anti-union.

Recently, many guilt-ridden middle-class citizens have taken care to blame the Government or management for the discomfort and miseries of their daily travel. I am afraid my own reaction has been to make me more enthusiastic about privatisation than I have ever been – precisely because the hidden agenda of privatisation is to reduce union power.

Some apologists speak as if the rail unions were simply taking advantage of market forces like any other economic agent. This would be true if British Rail were just being forced to pay more because of labour shortages – in which case there would be widely differing offers in different areas and for different grades. The whole point of the disruption is to force British Rail to pay more than it otherwise would and to do so across the board.

Union monopoly is just like any other form of monopoly which increases the price of a service at the expense of the volume sold. The main difference is that a corporate monopoly does not withdraw the whole of its output until representatives of the public have agreed to pay more – as occurs in strike action.

There have been many learned disputes about whether the ultimate effect of union power is to raise unemployment, inflation or both together. But whatever the precise mixture, the effect is adverse. The more the rail settlement appears as an employer-surrender, the greater will be the cost in lost jobs and lost output of achieving any particular inflation objective.

Appeasement will hit the most vulnerable members of the working class much more than the guilt-ridden affluent.

Some people are inhibited from saying this because they themselves earn so much more than railway workers. It was Keynes himself who had the right response when he said there was more scope for raising the standards of low-paid workers through fiscal transfers than by direct action to raise pay. The present Government's disavowal of fiscal redistribution (despite the large sums it has in practice to pay out in social security) has made the dialectical task of the opponent of union monopoly more difficult. But it is still just as necessary.

The Government has also clouded the argument by pretending that it is only abuses of union power to which it is opposed. But as Peter Jay has pointed out, even if all trade unionists were Republican voters with PhDs in economics, *trouble would still arise.* Because the Government has avoided the basic issue, the painful arguments of the 1970s about unions and stagflations are having to be repeated.

Significantly, the main union troubles so far this summer have been in the public sector. Public ownership gives any settlement an air of official sanction and makes it more visible. It is quite impossible for the Government to escape involvement, whether by lean*ing on management to take a* tough line or by pushing it towards appeasement.

Simply by taking the rail negotiations out of the limelight – so that they had no more significance than, say, British Telecom pay awards – would achieve something. Greater benefits would arise from bringing in competition – not only between different areas but between different companies operating on the same track.

The immediate issue is not, however, transport economics but the return of wilful blindness about union power. It is too simple to repeat mindlessly that Mrs Thatcher has gone too far. This is an issue on which she has not gone far enough.

LETTERS

Electricity privatisation and the US experience

From Dr Ian Rutledge

Sir, The "muddle" over electricity privatisation which Max Wilkinson describes (July 11) is no doubt being observed with considerable interest and amusement by the US electricity industry which has been campaigning hard against proposals that the existing system of tightly regulated, vertically integrated, monopolistic utilities should be deregulated to allow greater competition and some separation between generation and distribution.

According to the latest annual report of American Electric Power Company, of Columbus, Ohio, "separating power supply from transmission-distribution systems would threaten reliability and could lead to higher costs . . ." The argument is expanded in the statement of the company's chairman and chief executive officer, Mr W.S. White Jr: "Deregulation continues to be debated before regulatory and legislative bodies and to generate a great outpouring of economic theory regarding free market concepts. Unfortunately, few take the time to consider the technical aspects of their proposals or the practical lessons of electrical utility economics that were learned early this century and that are still valid. Electric utilities have the continued responsibility to provide all the electric energy needs of the customers in their service area. If they are to be turned into mere brokers of an electric power supply they do not manage directly, problems of supply and reliability are sure to follow very quickly."

Given that the Government generally exudes such unanimous and uncritical support for all matters American and privately owned, it seems curious that it has not paid closer attention to the views of this existing and long-standing private sector electricity industry.

Ian Rutledge,
Seris,
108 Carter Knowle Road,
Sheffield

EC steel industries create 'below cost' competition

From Mr Andrew Cook.

Sir, My industry is steel castings. In Britain, Thatcher rules apply: if you lose money you go bust and close down. In Europe, not so. My EC competitors are generally either loss-making, state-owned or quasi state-owned concerns, loss-making subsidiaries of industrial groups or break-even private companies. Many of these keep going because it is politically impossible to close them.

In the Basque country my competitor employs 1,200 men, exporting over £10m worth of products at or below cost throughout Europe and the UK. It has £20m negative net worth, but despite this staggering debt closure is out of the question. Instead taxes are waived, cheap government-backed loans are arranged, arrears of national insurance contributions cancelled; the whole debt-ridden outfit keeps going.

Similarly, in Italy a large nationalised employer in the south persistently sells steel castings throughout the EC and the UK below cost. The rule here is "work at any price rather than no work."

In northern France another large steel foundry employs 1,000 men and loses over Ffr 20m a year. Again, for political reasons, closure is out of the question.

Anti-dumping laws do not apply to EC members; they can go on selling at below cost without restrictions, so long as someone will pick up the bill. No wonder the UK Labour Party is suddenly so pro-EC: it plays the same game, if an industry becomes uncompetitive, prop it up.

This is why no mainland European countries are worried about the EMS – they can enjoy its benefits and if their own industries suffer pain they will support them. To this must be added the intense loyalty of their domestic customers (try selling castings to Spain and Portugal against the domestic producer), which contrasts with the almost perverse disloyalty of many UK customers (they enjoy their buying trips to the sun).

These, plus local advantages of particular countries (cheap labour in Portugal, cheap energy in France, low interest rates in Germany), coupled with almost complete absence of the profit motive throughout the EC, make EC/EMS membership a very one-sided business for UK manufacturers. The only weapon we have is the exchange rate. If we are in the EMS this weapon is lost.

Andrew Cook,
William Cook plc,
Parkway Avenue,
Sheffield,

A little more cake

From Mr Jeff Fugler.

Sir, As one of many who utilise Mr Osman Streater's (Letters, July 11) not inconsiderable copywriting talents, I should like to reply to his condemnation of the phrase "You can have your cake and eat it," in an advertisement for RoyScot Finance Group.

Mr Streater may well want to eat his cake and have it. He may well also be the only person in the UK who is familiar with John Heywood's 1546 collection of English colloquial sayings.

But for the rest of us mere mortals, we are quite *content* to have our cake and eat it. Is not the function of advertising to communicate with the living?

Jeff Fugler,
Fugler & Fugler,
4 Brook Street, W1

Joint ventures with the Soviet Union

From Mr Sergei Semyonov.

Sir, There has been much speculation in the western press, including the Financial Times, concerning the potential for joint ventures with Soviet enterprises. The Soviet Union's new policy on foreign trade offers greater opportunities for Soviet state-run establishments and co-operatives to move into foreign markets.

But at the same time it has revealed a number of problems. Perhaps the most important is the urgent need for western firms and Soviet organisations alike to have access to sufficient information about each other.

Soviet businesses located outside Moscow have the greatest difficulty in finding partners. The traditional foreign trade bodies have proved unable to help them. The solution seems to lie in regional associations for business co-operation, such as those already created in some regions. Good opportunities for expanding business contacts are offered by international fairs and exhibitions. At the 1989 Hanover fair, for instance, Soviet participants received offers for joint ventures, co-production, and information-sharing in science and technology.

"Houses" of economics and industry in the Soviet Union *and the Federal Republic of* Germany will co-ordinate business operations. They will have all the necessary facilities – hotels, exhibition space, communications – for practical and reliable business activities.

Yet another favourable factor for small and medium-sized firms is the legislative changes being made, governing the activities of joint ventures in the Soviet Union. For example, the restrictions on the size of a foreign partner's stake in a joint venture have been lifted; joint ventures may be headed by either a Soviet or a foreign national. Everyday services provided for foreigners living in the Soviet Union may now be paid for in roubles earned by the joint venture concerned. Another factor conducive to joint venture arrangements is the treaty on the promotion and mutual protection of *investments, signed by Presi*dent Gorbachev during his visit to the federal republic.

The Soviet Union will do its utmost to further joint ventures, but western firms should be prepared to persevere and encourage our new foreign trade policies.

Sergei Semyonov,
Institute of World Economy and International Relations,
USSR Academy of Sciences,
23 Profsoyuznaya,
Moscow 117418, USSR.

FINANCIAL TIMES
Monday July 17 1989

Janet Bush on Wall Street

Revival of the fittest

TWO GHOSTS of Wall Street past returned to haunt last week. They may not constitute unimpeachable evidence that all is once again right with the world but they made for some nice nostalgia.

Ms Elaine Garzarelli, the analyst at Shearson Lehman Hutton canonised for recommending her clients get out of stocks just days before the stock market crashed, has not – along with fellow gurus – issued any heart-stopping predictions since. But gurus, who so often pumped up the bull market during the 1980s with their pronouncements, may be back.

Last week, Ms Garzarelli's name flashed across financial news wires with the news that her trusty stock market indicators pointed to a rally in the Dow to 2,900 before this year is out. A few more points were duly added to the index.

The second ghost to rattle its chains last week was Salomon Brothers – ghoul of ghouls during the securities trading extravaganza of the 1980s bull market.

Not much has been heard of Salomon Brothers since the crash, or at least not much which Mr John Gutfreund, the chairman, would have enjoyed bearing.

Salomon Brothers had a sudden fit of enthusiasm last week when it decided to pre-empt its own quarterly earnings announcement scheduled on July 25 to spread the good *news that it expects to* have earned record profits in the second quarter.

Salomon said that the improvement in its earnings cut across product lines and geographic regions but there is no doubt that rallies in stocks and bonds in recent months must have helped.

In June, average daily volume on the New York Stock Exchange rose to 180.3m shares, the third highest monthly average since the crash.

On the American Stock Exchange, June average daily volume was 13.5m, considerably higher than in recent months. In November, for example, average daily volume was 8.4m. On the Nasdaq over-the-counter market, which has seen considerable buying activity both takeover and value-related, average daily volume jumped to 140m in May, the highest monthly average since the crash.

Analysts have started upping their earnings forecasts for the brokerage community. Salomon's predictions of record earnings in the fourth quarter – outstripping the previous record in the first quarter of 1986 of $265m pre-tax – suggests that analysts' predictions will be substantially exceeded.

Although Salomon contends that the improvement in earnings came from all sectors of its business, Wall Street still regards Salomon primarily as a bond trading house.

Mr Perrin Long, who tracks the securities industry for Lipper Analytical in New York, reckons that although Salomon has been trying to move into the lucrative merchant banking area, the company is still 80 per cent to 90 per cent about bond trading.

He reckons that the story of increased earnings at Salomon has much to do with the fact that the yield on one-year Treasury bills has dropped 160 basis points since the end of March.

Securities houses with an emphasis *on securities trading are highly* dependent on volume because spreads have become paper-thin.

Seven or eight years ago, according to Mr Long, the spread on a government bond transaction would have been ¼ point each $1,000. Now, the spread is nearer to 1/64 point.

In May and early June, individual investors appear to have become more active which should benefit firms with a substantial retail business such as Shearson Lehman Hutton, Merrill Lynch and Paine Webber.

The perennial question for the large houses with extensive retail operations and their huge overheads is whether higher trading and commission volumes can translate into the bottom line.

All this makes a change from reading about defections, firings and cost-cutting or alternatively about the lemming-like rush into fee-earning merchant banking business. With the bond market at yield levels not seen since April 1987, and several of the major stock market indices at or near all-time highs, the lost art of trading securities has undergone a modest revival.

Wall Street now has to brace itself for the summer doldrums when trading profits are notoriously difficult to come by.

SOVIET GOVERNMENT WARNS OF 'UNCONTROLLABLE SITUATION'

Siberian miners' strike spreads

By Quentin Peel in Moscow

MORE than 100,000 Soviet coal miners are now reported out on strike in the Kuznetsk coal field in Siberia, with indications that the unrest could spread to the neighbouring field of Achinsk-Kansk. The major industrial centres of Novosibirsk and Krasnoyarsk could also be affected.

The miners have refused to go back to work, despite big concessions to their demands for better pay and conditions, and a dire warning that their strike is leading to an "uncontrollable situation and unpredictable consequences."

The Government has announced that miners' wages would be stopped from Saturday and warned that major parts of Soviet industry are threatened with a shut-down because of the lack of coal.

President Mikhail Gorbachev is also facing renewed ethnic unrest with violent clashes in the Soviet republic of Georgia leaving 11 dead and more than 120 injured. Troops were yesterday ordered into the Black Sea resort of Sukhumi to restore order after a day and a night of rioting between some 2,000 Georgians and Abkhazians, an ethnic minority living in the region.

In political terms, however, the strike may be more of a challenge to Mr Gorbachev: the strikers are mainly Russian industrial workers, traditionally the bedrock of support for the Soviet Communist Party.

Reports of the strike in all the major national newspapers make it clear that the miners have lost faith in their local party and trade union leadership, and are setting up their own "workers' committees" to conduct negotiations with the Government.

The announcement that the miners will receive no pay from last Saturday suggests that the Government has decided to get tough, but hitherto both media comment and the reaction of Mr Mikhail Shchadov, the Coal Industry Minister, has been extremely conciliatory.

Sovietskaya Rossiya, the Communist Party newspaper for the Russian federation, said yesterday that the strike proved the workers backed perestroika.

Mr Shchadov, who has now spent five days in increasingly desperate negotiations with the miners' strike committees, told a mass meeting in Novokuznetsk on Saturday that the economic consequences for the major industries of the Urals were becoming increasingly severe.

"Magnitka (the giant steel complex at Magnitogorsk) is on the verge of stopping working."

However, he was howled down when he claimed that workers from Osinniki, one of the nine striking towns, had returned to work. Their strike committee said the report was a lie.

All the main newspapers carry a report that a spokesman for the Democratic Union, the underground party advocating a multi-party democracy, had been booed by the strikers meeting on the main square in Kemerovo.

Nonetheless, the miners are demanding political as well as economic concessions – including new elections for their local soviets and trade union organisations and the promise of a new Soviet constitution by November next year.

Coffee price fall jeopardises EC aid fund

By Bridget Bloom in London

TUMBLING COFFEE prices in the wake of the breakdown of the International Coffee Agreement earlier this month could bankrupt one of the European Community's key institutions designed to aid developing countries.

It could also exacerbate differences between member states over the future of the EC's aid and trade policies.

Claims before the Stabex Fund, established to help stabilise export earnings of the 66 countries associated with the EC under the Lomé Convention, now amount to more than what remains of the five-year Ecu925m ($1bn) fund.

Stabex, created as part of the Third Lomé Convention agreed *in 1985, paid out nearly* Ecu800m in its first three years. It is currently understood to be examining claims of several hundred million Ecu *for 1988, including one of* nearly Ecu160m for compensation for lost revenue on coffee exports by the *Ivory Coast*.

Claims are examined and then paid in arrears. The terms of the fund involve arrangements both to cut back claims and to swell the fund's coffers from other EC aid budgets if the total fund allocations are exceeded.

However, despite this provision, officials acknowledge that Stabex seems unlikely to be able to meet the demands which are bound to be made on it for 1989, after the difficulties experienced by the Cocoa Agreement earlier this year and now by the coffee pact.

The position of Stabex is one of the items due to be discussed in Brussels today when foreign and development ministers meet to consider the progress of negotiations on a fourth Lomé Convention. This, possibly involving changes to *Stabex*, is due to come into force in February next year.

The operation of Stabex has been *controversial*, with Britain charging the fund with failing to work because it has not contributed towards the restructuring of economies such as that of the Ivory Coast, which are heavily dependent on a small number of exported commodities.

However, a number of other member states, including France, believe that the Fund has provided a useful if limited cushion against the vagaries of fluctuating commodity prices. Britain is expected to propose that the Fund should in future be aimed at diversifying associated states' exports rather than merely stabilising export earnings.

Today's EC meeting is unlikely to address the possible bankruptcy of Stabex if only because officials have not yet fully processed the 1988 claims. It will also be many months before the full impact of the breakdown of the Coffee Agreement on the revenues of exporting states can be assessed.

Those exporters principally affected include the Ivory Coast, Cameroon, Burundi, Rwanda, Uganda, Ethiopia and probably Kenya.

Other major commodities covered by the Stabex include cocoa products, ground nuts, palm oil and timber, although more specialised exports such as vanilla or shrimps are also included.

The commodities on which most of the 66 African, Caribbean and Pacific countries depend for a large proportion of their foreign exchange earnings have fluctuated greatly over the past decade and more.

The Coffee Agreement was designed to stabilise prices around a range of 120-140 cents a pound. Friday's daily indicator price was just 76.33 cents a pound.

China threatens imports move

By Lindsay Murdoch in Peking

CHINA is considering reducing imports from the US, France and Australia as a way of punishing them for hardline protests about its crackdown on dissent.

The Foreign Trade Ministry has been ordered to study how to reduce imports from those countries without causing financial problems for itself, according to well-placed Chinese sources.

It is not known whether similar action is being considered against other Western countries, such as Britain and Canada, which also made strong protests over the killing of pro-democracy campaigners last month.

Diplomats stress that the cuts may be only partial and are still at the "consideration stage."

There was no reaction from China to the statement from the Paris G7 summit calling on the World Bank to postpone examination of new loans. The statement also urged Peking to cease actions against those claiming their legitimate rights to democracy and liberty and to avoid isolating itself.

China's official press did not mention the statement yesterday. The New China News Agency report from Paris did not refer to the criticism, mentioning just the declaration's support for reforms in the Soviet bloc and promises of financial aid for Hungary and Poland.

China has not responded publicly to the Australian Government's decision last week to "appreciably" downgrade its relations with China. Senator Evans, Minister for Foreign Affairs and Trade, announcing the move, said that China's suppression of the pro-democracy movement had created "widespread shock and revulsion."

Australia's downgrading included the suspension of all ministerial, political and defence visits; the suspension of new aid projects; and a promise to support the deferral of new loans by international institutions.

Australia has warned that it will reassess its policy approach if the situation in China worsens.

Officials at China's Foreign *Trade Ministry* are reported to be studying whether it is viable to find alternative markets for Australian products, including iron ore, wheat, wool *and sugar*.

Australian diplomats said that most of its biggest contracts with China were at prices that China would find hard to obtain elsewhere.

China's crackdown on internal dissent intensified at the weekend as Western diplomats received more reports of spasmodic murders taking place in the capital.

Benckiser buys Camp of Spain for Pta33bn

By Peter Bruce in Madrid

BENCKISER, the acquisitive West German detergents group, has bought 100 per cent of Camp, Spain's biggest privately-owned detergent producer, for some Pta33bn ($283m) in an eleventh-hour bid which upset an attempt by Procter & Gamble of the US to *buy the Spanish company*.

The price is one of the largest paid for a family-owned Spanish company by a foreign investor. Camp, which is based in Barcelona, claims to control between 20 and 25 per cent of the detergent market in Spain, the fastest-growing in Europe. Its main washing machine brand, Colon, helped push the company's sales to Pta30.9bn last year for net profits of about Pta800m.

But Camp has been plagued *this year by a debilitating* power struggle between the three Camp brothers who control the group and which led to the dismissal at the beginning of the year of Mr Manuel Luque, its flamboyant chief executive.

For more than three years he had run a series of personal television advertisements which helped bring Camp out of the losses it had suffered for most of the early 1983.

Benckiser, based in Ludwigshafen in Lower Saxony, is *also family-controlled. It* recorded sales of DM1.49bn ($810m) last year and expects these to rise to DM2bn-DM2.2bn this year. Last November Benckiser beat its main West German rival, Henkel, to take control of Panigal, the Italian detergent and foods group. Henkel is also understood to have made a bid for Camp.

According to reliable informants close to the Camp deal, Procter & Gamble had been negotiating for some time to *buy the troubled comany.* Benckiser made a surprise appearance late last week with a better offer and the sale was rushed through early on Saturday morning.

Mr Peter Harf, Benckiser's chief executive, made it clear earlier this year that he was looking for acquisitions in Spain, Italy and Portugal and *the Camp purchase further* established West Germany as easily the most important foreign investor in Spanish industry.

Camp has an important market position in Israel and from Barcelona it is also well placed to expand into southern France, northern Italy and, possibly, Portugal.

US to increase military aid to Afghan resistance

By Lionel Barber in Washington

THE US intends to increase sharply military supplies to the Afghan resistance in response to massive airlifts of Soviet arms to the Kabul Government.

The US arms will include weapons capable of destroying airfields and aircraft, according to Administration officials who admit being taken aback by the firepower shipped by the Soviet Union since its troop withdrawal last February.

Washington estimates that the Soviets have been shipping weapons worth $200m to $300m a month since early March. The poor performance by the Afghan resistance, particularly the stalled offensive against *Jalalabad, can be attributed* partly to the rise in Soviet supplies, officials said.

The US has therefore decided to supply rocket shells and special *mortar shells for ripping* up runways used by Soviet aircraft. Earlier this year, Washington began to wind down supplies of sophisticated weaponry, *such as* Stinger anti-aircraft missiles, to the resistance.

The US and Soviet Union agreed in April 1988 to act as guarantors of the Geneva peace accords providing for the withdrawal of about 115,000 Soviet troops in Afghanistan. Both, however, reserved the right to supply their respective clients, which guaranteed a protracted civil war.

US officials are concerned about suggestions made by Mr Yuli Vorontsov, the Soviet *Ambassador in Kabul*, that Moscow may grant an Afghan Government request for MiG-29s and the latest Sukhoi ground-attack jet fighter.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	25	77	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	30	86	Edinburgh	F	23	73	Manchester	C	19	66	Rio de J'o	C	28	82
Amsterdam	S	19	66	Faro	S	27	81	Manila	R	29	84	Rome	S	26	79
Athens	S	32	90	Florence	S	28	82	Melbourne	F	09	48	Salzburg	F	21	70
Bahrain	S	36	97	Frankfurt	F	23	73	Mexico City	F	21	70	San Francisco	F	13	55
Bangkok	F	34	93	Funchal	-	-	-	Miami	S	29	84	Seoul	R	25	77
Barcelona	S	27	81	Geneva	S	24	75	Milan	S	23	73	Singapore	F	30	86
Beirut	F	32	90	Gibraltar	S	26	79	Montreal	F	18	64F	Stockholm	F	16	61
Belfast	C	17	63	Glasgow	F	22	72	Moscow	F	21	70	Strasbourg	S	24	75
Belgrade	F	23	73	Guernsey	S	23	73	Munich	S	21	70	Sydney	R	09	48
Berlin	F	19	66	Helsinki	F	16	61	Nairobi	C	23	73	Taipei	C	35	95
Biarritz	S	23	73	H. Kong	F	33	91	Naples	F	28	82	Tangier	S	30	86
Bombay	R	29	84	Innsbruck	C	23	73	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	S	29	84	Inverness	C	18	64	New Delhi	F	32	90	Tenerife	S	28	82
Brussels	C	20	68	Islamabad	F	34	932	New York	C	23	73	Tokyo	R	22	72
Budapest	F	21	70	Istanbul	S	26	79	Nice	S	26	79	Toronto	F	14	57
B. Aires	F	17	63	Jakarta	C	32	90	Nicosia	S	29	84	Tunis	F	28	82
Cairo	S	36	97	Jersey	S	27	81	Oporto	C	19	66	Valencia	F	29	84
Cape Town	R	11	52	Jo'burg	F	18	64	Oslo	F	19	66	Venice	S	25	77
Caracas	C	28	82	Lima	T	19	66	Paris	S	26	79	Vienna	F	23	73
Casablanca	-	-	-	Lisbon	S	28	82	Peking	C	32	90	Warsaw	C	14	57
Chicago	F	19	66	London	C	19	66	Prague	F	18	64	Washington	R	22	72
Cologne	C	18	64	Los Angeles	C	19	66	Reykjavik	C	13	55	Zurich	S	22	72
Copenhagen	F	15	59	Luxembourg	S	21	70								
Corfu	S	30	86	Madrid	S	33	91								
Dallas	-	-	-	Majorca	S	30	86								
Dublin	S	24	75	Malaga	S	29	84								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

G7 issues pledge on Third World and environment

Continued from Page 1

ronmental policies are mutually reinforcing," it said.

The seven pledged to ensure the compatibility of economic growth and development with protection of the environment and called for enhanced international co-operation in technology to reduce pollution and provide alternative solutions.

The seven nations urged the World Bank and regional development banks to integrate *environmental considerations* into their activities.

They said aid might be harnessed to encourage developing nations to tackle environmental problems and raised the possibility of debt forgiveness in environmental protection.

In their final statement, the seven said the depletion of the ozone *layer was "alarming"* and they called for "prompt action" to deal with the issue.

Responding to West German concerns, the summit also appealed to producing and consuming countries to preserve the tropical rain forests more effectively.

In endorsing Mr Brady's debt plan, the summit nations *called on banks "to move promptly"* to conclude rescheduling agreements involving debt reduction and provide new money for the debtor nations.

They said governments were willing to consider eliminating tax, regulatory and accounting obstacles to debt and debt service reduction.

THE LEX COLUMN

Raiders wanted for UK bank job

If Sir James Goldsmith had really wanted to excite the market last week, he should have stretched himself and *tried to break up a UK clearing* bank. There is a certain staleness in the arguments he uses to justify his interest in BAT; *in most respects, it is no different from any other conglomerate*, just a lot bigger. All the complaints are magnified many times over when it comes to the UK clearers: and while the Bank of England would doubtless spoil the party, shareholders would be eternally grateful.

Like BAT, the clearing banks have more than their share of inbred management. They have also profited hugely from a traditional monopoly, that of UK retail banking. Their shares are standing at a *substantial discount to net* asset value, and at half the prospective market multiple. In terms of size they are comparative minnows - the combined market capitalisation of Barclays, NatWest and Midland is smaller than BAT's - but they are stuffed full of valuable assets ready for unbundling.

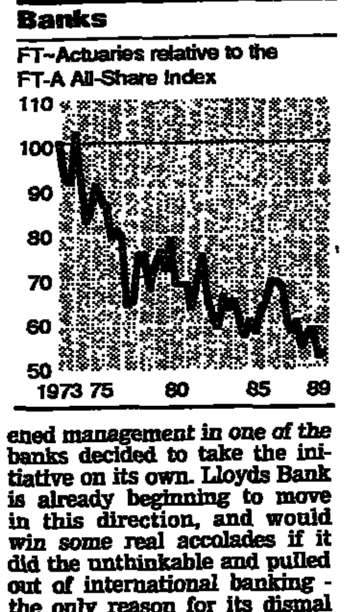
UK banks have always been far better at acquiring businesses than disposing of them. Indeed, on the rare occasion when a clearer makes a big asset sale it is almost always a distress move to raise capital for regulatory reasons. NatWest, for example, could probably raise well over half its stock market capitalisation without damaging its core UK retail banking business. Coutts is the sort of upmarket name people pay big bucks for: the stakes in 3i and Yorkshire Bank *are not strategic*: and there is no good reason apart from prestige for owning all those expensive American banks.

But this sort of thinking is anathema to clearing bankers.Their businesses are so intertwined on the systems side that they can claim technical synergy even if the commercial benefits are far less obvious. Besides, one of the unspoken reasons for holding on to so many businesses is to prevent them falling into the hands of competitors. They could get round this by franchising their name, but this might make them too similar to MacDonalds.

The Bank of England is partly to blame. It is much easier to keep an eye on a handful of big banks which play by the rules, and too much competition is not good for the stability of the banking system. However, it would be hard to challenge the case for breaking up the clearing bank conglomerates if an enlight-

Banks

FT-Actuaries relative to the FT-A All-Share Index



ened management *in one of the* banks decided to take the initiative on its own. Lloyds Bank is already beginning to move in this direction, and would *win some real accolades* if it did the unthinkable and pulled out of international banking - the only reason for its dismal rating. Barclays and NatWest are still mesmerised by size for size's sake, and Midland and Standard Chartered have had to sell off most of their good bits already.

So that only leaves the dear old TSB. Here *the sums* are relatively easy. It has spent a billion pounds on acquisitions, but still has more capital than it needs and a stock market value of £1.6bn. *Strip it back to* basics, and Sir James would have a nice little earner. But even he is apparently not prepared to rock the boat that much. Sadly, Mr Patrick Sheehy seems more vulnerable than Sir Nicholas Goodison.

Investment trusts

Getting Germans to buy shares in Deutsche Bank or Siemens is hard enough: getting them to invest in a UK vehicle specialising in unquoted ventures in China and Korea might have seemed impossible. But Thornton last week launched one of the biggest new investment trusts ever, courtesy of some £65m supplied by notoriously risk-averse German investors.

It is the first evidence of the promised gain from the links between the little UK investment houses and big European banks; and so far, so good. When Thornton teamed up with Dresdner Bank, Touche with Société Générale and GT with Bank in Liechtenstein, it seemed doubtful to some whether mighty European distribution arms would be of much use in selling UK products. The investment trust sector, more than most, is almost exclusively owned by UK investors, and it was generally assumed it would stay that way for fiscal and cultural reasons.

The Thornton/Dresdner experience suggests the converse to be true, and that investment trusts can actually provide a way round restrictions on the Continent. In this instance, German mutual funds, which are not able to invest freely in most Pacific countries, find that buying shares in a London quoted investment trust allows them into otherwise forbidden markets.

Meanwhile, the news that the fund intends to invest up to 15 per cent in China might seem pretty brash in the light of *recent* events. However, China is the key to the performance of many of the emerging Pacific markets, and those who believe that China has taken an irrevocable leap backwards are not likely to be interested in this sort of vehicle in any case.

Event risk

The pulling of BAT's $400m Eurobond issue last week was the clearest possible demonstration that the phenomenon known as event risk has reached the sterling bond markets. Ever since the RJR Nabisco bid nine months ago, US bondholders have been *acutely aware that the* leveraged buy-out movement is a danger to holders of investment-grade paper. As the company is burdened with junk, its *credit* rating falls. Last week's events brought the same lesson to Europe; but it was naturally concentrated in the Eurosterling market, since the hostile junk bid is still purely an Anglo-Saxon phenomenon.

The result so far has been an automatic widening of spreads between sovereign and corporate debt, followed by a sorting out of companies which are and are not candidates for takeover. The next step may well be to introduce restrictive terms for new issues, such as the so-called poison put; the alternative for companies open to event risk is presumably to offer a higher coupon. Either way, the question is whether the domestic bond market will become attractive to borrowers in comparison.

It cannot yet be assumed that the junk movement has reached Britain, despite the vested interests working to bring that about. But if it has, there is room for paradox: if a company is thought ripe for takeover, its bonds will fall while its equity rises. This may make sense for an individual stock, but is plainly nonsense for the corporate sector as a whole.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday July 17 1989

INSIDE

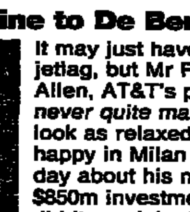
BAT: from the birth of a £13bn bid...

The structure and nature of the bid for BAT raises some important questions for the global debt markets, notably the consequences of trailing American financial firepower on the European scene. Page 25. Also to be answered is who Hoylake, the company through which the consortium headed by Sir James Goldsmith is making its bid, might be approaching to become additional equity investors in the takeover vehicle. Page 24

...to questions of parental control

Are the parts of conglomerates worth more than the whole? The issue will feature prominently in the bid for BAT. Michael Skapinker, in the Business Column, examines the various "parenting" or management styles applied by large companies to their subsidiaries, ranging from "financial control" businesses to "strategic planning" ones. Page 38

AT&T direct line to De Benedetti



It may just have been jetlag, but Mr Robert Allen, AT&T's president, never quite managed to look as relaxed and happy in Milan on Saturday about his new $850m investment than did its recipient, Mr Carlo De Benedetti, the Italian deal maker extraordinaire (left). Mr Allen, however, was adamant that he would have no difficulty in persuading his shareholders of the wisdom of his move, writes John Wyles. Page 27

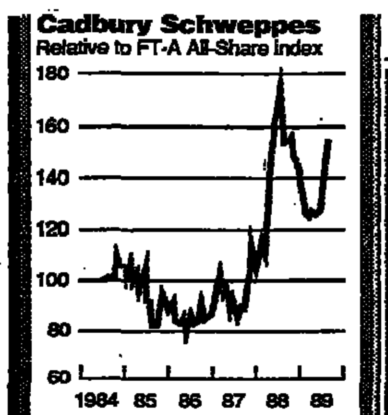
Underpinning Britain's high-rise property shares

The UK property share market, now at a higher level than before the October 1987 equity crash, is likely to be given a further boost this morning. It will be absorbing the news that investors are prepared to pay higher than net asset value to take over companies in the sector, following the declaration that a consortium put together by Mr Stephan Wingate will pay 650p a share for an agreed takeover of Imry Merchant Developers. Page 24

The irresistible chocolate box

Lisa Wood on the reasons behind feverish trading in Cadbury shares

Cadbury Schweppes
Relative to FT-A All-Share index



	1988	1987
Group sales	2381.6	2031
Pre-tax profits	215.7	176.1

Confectionery
Main brands: Cadbury's Dairy Milk, Biarritz, Cadbury's Roses, Cadbury's Milk Tray, Crunchie.
1988 sales £1,016m
Trading profit £119.7m

Beverages
Main brands: Schweppes, Red Cheek, Canada Dry.
1988 sales £1,365.1m
Trading profit £109.1m

WILD share speculation or harbinger of a take-over bid for Cadbury Schweppes, Britain's largest confectionery and soft drinks group?

Both views are possible after last week's feverish trading activity in the group's shares which, already too high on fundamentals, on Thursday rose 15½p to 430½p and then leapt to close at 482p on Friday.

Cadbury, with its two core businesses, has been the focus of intense takeover speculation for two and a half years – ever since General Cinema, the US cinema and investment group, took a strategic stake, currently about 17 per cent.

In a booming market for corporate takeovers – which reached a new climax last week with the £13bn ($21bn) bid for BAT Industries – it was fairly inevitable that Cadbury's name would crop up as a possible bid target.

While General Cinema appears to be in no rush to act aggressively itself or sell its stake the market appears convinced that a hostile takeover bid is being put together. The argument goes that General Cinema, with its astute investment strategy, would emerge and sell its holding when a serious offer was on the table.

The betting is on a bid led by Jacobs Suchard, the Swiss chocolate group whose chairman, Mr Klaus Jacobs last year unsuccessfully challenged Nestlé for Rowntree, the York-based confectioner. Another name sometimes mentioned – but only as a long shot – is Hershey, the US food group.

Swiss analysts appeared ambivalent about the possibility of an imminent bid from Suchard – whose last balance sheet showed net cash of £380m and £753m shareholders' equity. Suchard is expected to have flat profits this year and its ET Brach confectionery business in the US is still facing serious problems.

Mr Andreas Meier, an analyst at Zurich Cantonal Bank, said Suchard has lost its appetite for UK companies now Nestlé has snatched the Rowntree pearl.

Mr David Crosthwaite, of Henderson Crosthwaite, the stockbrokers, said: "If a takeover for Cadbury does not happen now, speculation will come up again and again so long as this stake is held by General Cinema. Suchard has to be the front runner because of the fit between its confectionery business and that of Cadbury in Europe."

Suchard, with Mr Jacobs controlling over 55 per cent of voting rights, wants to be among the world class players in the business. The group commands about 12 per cent of the Swiss and European Community's chocolate confectionery market. Cadbury has nearly 10 per cent, the same as Ferrero, Mars 17 per cent and Nestlé about 23 per cent.

Cadbury itself is actively investigating acquisition opportunities in this marketplace, where manufacturers are striving for critical mass. But, Cadbury – which would make an ideal fit with Ferrero – is the only large player vulnerable to a hostile take-over bid. Other players are either controlled by families or trusts.

Rowntree was acquired at 12.5 times 1988 operational cash flow and if Cadbury was valued on the same basis it would be worth about 650p per share, giving the group a price tag of £4.5bn. So if Suchard were to bid, it would find Cadbury a pricey morsel and would quickly need to sell the soft drinks business.

Analysts suggest that Coca-Cola, a partner with Cadbury in Coca-Cola and Schweppes Beverages, a company responsible for both company's soft drinks brands in the UK could be a willing purchaser of many of Cadbury's soft drinks businesses.

But whatever emerges, Cadbury has become a much stronger business in the two years since General Cinema took its stake. The company started to build up problem areas in the 1970s and then badly faltered in its results in 1985 – largely because of difficulties in the US with its Peter Paul subsidiary.

Since then a new management, driven by Mr Dominic Cadbury, the chief executive, has injected fresh energy into the business, with earnings per share up by 150 per cent in the past three years.

An important element of the strategy has been to dispose of difficult or peripheral businesses – like Peter Paul in the US and Premier Brands, the Ty-Phoo tea business in the UK.

The chocolate business has been strengthened by a number of acquisitions, including that of Poulain in France, while the group this year bought Bassetts, the Jelly Babies manufacturer, in a move to take a strong position in the fragmented sugar confectionery market.

Elsewhere in the world, the buy-in of the minority shareholding in its Australian business is intended as a cornerstone in Cadbury's long-term plans for development of its business in the Pacific Basin.

In soft drinks the tie-up with Coca-Cola in the UK is emerging as an exceptionally good deal for both sides with Cadbury keen to develop its relationship with Coca-Cola on the Continent where it also bottles for Pepsi-Cola in Spain. Cadbury appears confident that it will not suffer in the shake-out that is occurring on the Continent in the growing war of the colas.

Mr David Nash, Cadbury's finance director, says that clearly earnings per share growth cannot continue at the recent rate. Organic growth will continue from the existing business while "sensible acquisitions" are being made, like the recent acquisition of Hueso of Spain, which analysts reckon has been made at around ten times earnings.

Certainly, Cadbury's recent move to raise its borrowing limits to £1.7bn looks like preparation for it to make a sizeable acquisition – a move which could also dilute General Cinema's stake.

General Cinema sought, unsuccessfully, to block the borrowing move. So even if Cadbury does not itself face a bid, it remains stuck with a very difficult and rather unpredictable shareholder breathing down its neck.

SII: acronym for American protectionism

By Anthony Harris
in Washington

PRESIDENT Bush is returning from Paris a somewhat diminished man. The nickel-and-dime finance he offered to support his rhetoric on Poland and Hungary has not gone down well here; the failure of the banks to deliver a Mexican package in time for a summit triumph, after much talk of "intense political pressure" on them, suggests that the White House has lost clout.

And his foreign policy press conference, in which he was reduced – not for the first time – to complaining that "I am the President, and I set policy," looked petulant, not strong.

The strong Summit language on the environment may hold some promise for the future, but the main practical results of the meeting are that the Europeans have emerged as the policy leaders on trade with the European satellites, France as the spokesman for the indebted developing countries, and Japan as the country to which they will look for funds. So much for American leadership.

The only clear "achievement" the President is bringing home is the so-called Structural Impediments Initiative, or SII, whose initials seem designed to arouse wide, distant hopes, like SDI.

This is a joint US-Japanese study of the Japanese distribution system, and other supposed barriers to imports in Japan, which have already been studied pretty exhaustively by many experts.

Its real purpose is to find a way round the Japanese refusal to join in the negotiations required under the Super 301 trade clause, and so avoid an immediate confrontation.

SII is quite respectable, as such evasions go. The Japanese internal market, a weird mixture of Government direction, rambling cartels and intense competition, is quite unlike any textbook model of a market economy, and the policy implications are worth exploring.

All the same, it could prove dangerous, because these terms of reference will encourage American paranoia about trade.

It is only to easy to suppose that the threat of American protectionism – or rather mercantilism, since its central doctrine is that trade is war, pursued by other means – is a myth, invoked by Secretary Baker and others when they want to put pressure on their trade partners.

After all, Congressman Richard Gephardt ran for the Democratic nomination on the mercantilist ticket, and failed.

The rest, it can be argued, is routine American special-interest politics.

The truth is, though, that Mr Gephardt lost because he ran out of money, and was weak in organisation; otherwise he might well have beaten both Governor Dukakis and Mr Bush.

His standing in the Democratic party has improved – indeed, he is now their majority leader in the House, outranked only by the Speaker.

He has said he will not run for 1992, but his influence is likely to be strong.

Meanwhile, trade fears are being inflamed not only by the slow progress of deficit-reduction, but by what Europe plans to do by the end of 1992.

While an encouraging number of American industrialists do now seem to understand that the single European market is an opportunity, populist comment still sees it as a large, ill-defined threat. (See last week's Newsweek for an extreme statement of this view.)

The twin-deficits explanation of American trade weakness was over-simplified, as Mrs Thatcher has proved with her demonstration of how to run a trade deficit and a budget surplus; but it has largely vanished from the US debate not because of Mrs T. or of any learned refutation, but simply because everyone got bored with it.

MEANWHILE, Congress is busy proving that at heart it was right. The current discussions on the defence budget are a textbook case. The Defence Secretary, Mr Dick Cheney, is trying to make some strategic choices, but the House especially will not let him do it.

Every major project is a local project for some Congressmen, so virtually none are allowed to die.

Instead, spending on each programme is slowed down, a process which leads inevitably to cost escalation; this in turn provokes a witch-hunt for corruption and crooked accounting, which probably account for a percentage point or two of the total budget.

Apart from the money cost, this hundred-flowers approach to defence equipment ties down the maximum number of qualified technical people, so that it not only inflates the deficit, but undermines US competitiveness.

If Mr Bush were seriously worried about the trade deficit – and the Republican right constantly tells him not to worry – he would scrap SDI rather than launching SII; but nobody is even discussing such an option.

It is economically sensible, but psychologically forbidding.

A nation which is losing power hangs onto the trappings and hardware of power.

Any British commentator who remembers the East of Suez debate or the Blue Streak rocket should be sympathetic rather than critical.

IT is not helpful that the economic publicists in this country, who still enjoy a prestige that they have long lost in Europe, are not really helping to explain what is going on.

The US market seems to want doom, or check-lists of "imperatives": what must be done about competitiveness, or takeovers, or whatever is the fashionable ill.

There is thus a large market for Washington-bashing, or Tokyo-bashing, and another for "industrial policy", but very little in the way of new insights.

What would be much more constructive would be a best-seller which would set out the relationship between consumer debt and national debt, and explain why American consumers have been so debt-addicted; or another to popularise last week's message from Mr John Reed of Citicorp, who explained how US financial regulations make the system risky and inefficient rather than safe and transparent.

The same could be said of much existing commercial and industrial policy.

America's allies could also help in this difficult transition, though for the moment the biggest help may come from Mr Gorbachev, who wants to negotiate away some of the defence burden.

Japan is not well placed at the moment to give a diplomatic lead, but Europe should be able to do more.

A big EEC campaign to sell the opportunities of the single market, and indeed to invite US investment in it, might help to change perceptions. The EEC is already reaching a business audience, but the political threat can only be met through the mass television audience.

Economics Notebook

Inviting fear among EC bankers

THE EUROPEAN Community's central bank governors are normally a mild mannered bunch.

But they are up in arms following a proposal from Mr Pierre Beregovoy, France's Finance Minister, that they should participate as a matter of course in the monthly meetings of EC economics and finance ministers.

This seemingly modest idea has raised fears among the community's central bankers that France and the EC Commission are seeking to bring monetary policy in Europe under the control of the EC's finance ministers and the Brussels bureaucracy.

France is determined to press ahead with implementation of stage one of the Delors Report on economic and monetary union, which envisages the strengthening of economic and monetary co-ordination in the EC within the existing institutional framework.

But the general feeling among central bankers is that Mr Beregovoy has fallen prey to an excess of French revolutionary fervour in calling the central bankers to attend the meetings of ministers in Brussels.

Central bank officials doubt that Mr Beregovoy wants the EC central bank governors to participate on equal terms with the finance and economics ministers in the monthly Ecofin councils.

According to one European central bank official, the French minister's letter outlining the scheme was unusually abrupt and peremptory, giving the impression that he was looking to the bank governors to act as "wallpaper" in the meetings.

If complied with, Mr Beregovoy's plan could lead to a weakening of the present system of central bank co-operation based on the monthly meetings of central bank governors from the EC and elsewhere at the Bank for International Settlements in Basle.

It is unlikely at present that Mr Beregovoy will get his way. The Bundesbank, the most independent of the EC's central banks, has made clear to other central banks that it will resist the French proposal.

The central bankers can also draw some comfort from the Delors Report. The report envisages the existing EC committee of central bank governors playing a greater role in co-ordinating economic and monetary policies in stage one of progress to economic and monetary union.

It proposes only that the chairman of the EC governors should take part in "appropriate council meetings."

On the other hand, history is not entirely on the central bankers' side. Towards the end of the 1970s, as the European Monetary system was being created, it was considered quite normal for central bankers to participate in the Ecofin meetings.

A lot will depend on Mr Demetrius Chalikias, the Greek Central Bank Governor who is chairman of the EC central bankers committee. He will have the job of telling Mr Beregovoy that his idea is unacceptable.

If Mr Beregovoy fails to accept this line of reasoning, pressure could grow for someone with stronger institutional backing to take over the EC committee post.

Already, there are some suggestions that Mr Karl-Otto Pöhl, the Bundesbank president, should be given the job when Mr Chalikias' term expires at the end of the year.

In the dumps

Mr Nigel Lawson, the UK Chancellor, was showing off his free trading credentials to good effect in Paris on Friday when he castigated the European Commission for excessive zeal in imposing anti-dumping duties on products imported from outside the 12 nation area.

He made his remarks on the day after the Commission in Brussels had imposed duties ranging from 6.4 per cent to 33.9 per cent on compact disc players made in Japan and South Korea.

According to Mrs Sylvia Ostry, the former head of the Organisation for Economic Co-operation and Development's economics and statistics department and Canadian government "sherpa" helping to prepare the annual economic summits, anti-dumping measures have more than undone the good provided by the Tokyo Round of tariff cuts agreed by the world's trading nations in 1979.

Anti dumping – the practice of imposing duties on foreign producers that sell products below their production or retail prices – may be fine in theory as a way of fending off unfair competition.

But Mrs Ostry has calculated that between 1980 and 1987 the EC and the US have together processed more than 1,300 anti-dumping cases and nearly 500 similar subsidy countervail cases.

The bad news is that anti-dumping procedures are growing in popularity world wide. According to Mrs Ostry, Australia and Canada now use anti-dumping measures frequently.

Ironically, developing countries are also framing anti-dumping legislation just as they have undertaken unilateral trade liberalisation measures and are taking part in the Uruguay Round of trade liberalisation negotiations.

Peter Norman.

THIS WEEK

THE MOOD of world financial markets this week will hinge largely on tomorrow's US trade figures for May which could influence trading in dollars and other currencies.

Analysts will scour the figures for signs of an easing in global trade imbalances and a slowing in US economic activity. The consensus of analysts forecasts, compiled by MMS International, the financial research company, is for a merchandise trade deficit of $9bn on a customs imports basis.

Other US indicators include June's consumer price index on Wednesday – the main inflation indicator. The consensus is for a rise of 0.3 per cent.

In the UK, attention is likely to focus on the strength of the borrowing and consumer spending.

Department of Trade and Industry figures for retail sales in June are released today. If the latest Confederation of British Industry/Financial Times survey is a guide, they should show a modest underlying rate of growth.

The consensus of analysts forecasts is for a fall of 0.5 per cent after a 3 per cent jump in May.

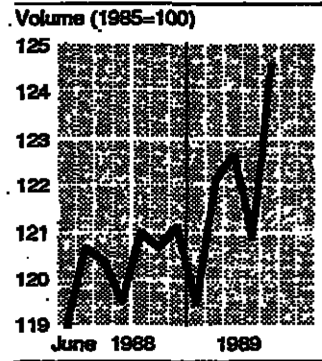
UK money supply figures for June on Thursday, will illustrate, not only the strength of borrowing, but also the buoyancy of economic activity. Analysts will also be looking to see whether M0, the narrow measure of the money supply, is heading nearer the Treasury's 1 per cent to 5 per cent a year target range.

The consensus is for a 0.5 per cent rise in M0 between May and June; M4, the broader measure which includes bank and building society deposits, is expected to have risen by 1.8 per cent.

A rise of £6.5bn in bank and building society lending is forecast.

In France, key statistics include retail prices figures for June, expected on Wednesday. The latest figure could see an acceleration from the 3.7 per cent a year inflation rate reported for May.

UK retail sales
Volume (1985=100)



In West Germany, analysts will be watching the interest rates terms of the latest batch of securities repurchase agreements.

Money supply figures are expected to be published around Thursday.

Other events and statistics this week (with MMS International consensus in brackets) include:

Today: US, Business inventories in May (0.6 per cent rise). Seven-year Treasury note settlement. Japan, money supply figures for June.

Tomorrow: UK, public sector borrowing requirement for June (deficit of £100m). Mr Peter Lilley, economic secretary to the Treasury speaks on economy at Centre for Policy Studies conference. Australia, current account deficit for June. Japan, household expenditure for May.

Wednesday: US, housing starts and building permits for June (1.35m). Two-year Treasury note announcement. UK, construction, new orders in May. France, industrial production for May.

Thursday: UK, Bank of England figures on institutional investment in first quarter.

Friday: UK, consumer spending in second quarter (rise of 0.5 per cent). Engineering sales and orders in May. US, 52-week Treasury bill announcement.

UK COMPANY NEWS

Property market set for a further boost

Bid for Imry underpins speculation

By Paul Cheeseright, Property Correspondent

THE PROPERTY share market, now at a higher level than before the October 1987 equity crash, is likely to be given a further boost this morning. It will be absorbing the news that investors are prepared to pay higher than net asset value to take over companies in the sector.

The declaration that a consortium put together by Mr Stephan Wingate and his Development & Realisation Trust will pay 650p a share for an agreed takeover of Imry Merchant Developers underpins bid speculation.

This speculation has given the property sector a fevered appearance, independently of the general tone of the market, set by the bid for BAT Industries. Now that Imry is going, the sector will be watching closely for any sign that British Aerospace will conclude its extended negotiations for Arlington Securities.

Marketchief, Mr Wingate's consortium, is ready to pay a total of £314m for Imry, making the takeover one of the biggest in the sector since the equity market crash. The offer is made up of 650p cash for each ordinary share and 100p for every Imry convertible preference share, with a loan note alternative.

The price for the ordinaries is 100p higher than the net asset value published in the 1988-89 accounts, 114p higher than the market price immediately before the announcement of bid talks, 31p higher than the price at which Imry starts trading this morning and around 30p higher than the price at which it was assumed Imry would succumb.

The Marketchief offer is thus of a different order from recent takeover activity in the sector. Peel Holdings secured London Shop at just under its asset value. The same was true of Wereldehave's takeover of Peachey Property. Rodamco refused to raise its bid for Hammerson to the level of the latter's revised valuation of its assets.

Further, the offer cuts across recent stock market trading experience, where the major property investment companies were trading, until the recent rise in the market, at a discount of around 30 per cent to their net asset value.

The apparent generosity of the Marketchief price makes it clear that Imry will continue as a going concern. It was not cheap enough to break up at a profit. Indeed, the existing management team, under Mr Martin Myers and Mr Martin Landau, respectively chief executive and deputy chairman, remains in place. The controversial office development at the Shakespearian Rose Theatre site, south of the Thames in central London, is not affected.

The main shareholder in Marketchief is Eagle Star Insurance, followed by merchant banking affiliates of Prudential-Bache Capital Funding and Mr Wingate's company.

The market may interpret the involvement of Prudential-Bache as potentially bullish, because it is the first obvious sign that US investment capital is moving into the British property sector. The likelihood of such a move has been long speculated.

Negotiations between Marketchief and Imry have been much more rapidly concluded than those between British Aerospace and Arlington. They were much simpler. By the weekend, British Aerospace had not made a decision to go ahead with a bid, although it can be expected to make up its mind this week or next.

British Aerospace, like AB Ports and BAA before it, wants a property developer to exploit its portfolio of land, enlarged by the acquisitions of Rover and Royal Ordnance. It has decided that in the long run it would be more profitable to keep sole control of its projects, rather than become involved in joint ventures of the type it has arranged with Trafalgar House.

Arlington is a target because, through its business parks, it has experience of dealing with large expanses of space. But the difficulty is its network of joint ventures and web of non-recourse financial arrangements. British Aerospace is going through these carefully: the residual value and the potential liabilities will dictate the price British Aerospace is prepared to pay.

Heavy trading in BAT options prompts SE inquiry

By Katharine Campbell

THE LONDON Stock Exchange is inquiring into the heavy trading in BAT Industries options that took place during the run up to Hoylake's £13bn bid which was announced last Tuesday.

Mr Tony de Guingand, director of the London Traded Options Market, said that while the stock exchange insider dealing group had asked for information about the trading patterns, this was entirely routine in bid situations.

Last Monday 9,864 contracts changed hands, representing an underlying volume of nearly 10m shares, and accounting for roughly a quarter of the total volume on the London Traded Options Market.

On the day of the bid, 11,161 options contracts were traded.

The average daily volume the previous week had been around 2,000, and that included an unusually active day the previous Friday, with 4,000 lots traded.

Options present a highly geared vehicle allowing investors to take advantage of price changes, occasioned for instance by a bid, or bid rumour.

Members of a bidding group can legally accumulate options positions up to a certain level before they must be declared, but traders noted that this practice was not common in the UK.

Heavy options and share dealing in advance of last September's bid for Consolidated Gold Fields prompted an inquiry by the stock exchange and later by the Department of Industry regarding allegations of insider dealing.

Hoylake refuses to name possible partners in BAT bid

By Nikki Tait

HOYLAKE, the company through which the consortium headed by Sir James Goldsmith is making its £13bn bid for BAT Industries, yesterday refused to make any comment on who it might be approaching to become additional equity investors in the bid vehicle.

When the bid was announced last week, the current consortium – comprising companies headed by Sir James, Mr Jacob Rothschild and Mr Kerry Packer, the Australian media tycoon – suggested that details of additional investors would be announced "in due course".

Despite weekend press speculation that the likes of GEC, the large UK electronics group, Paribas, the French bank, or the Italian Agnelli family, which controls motor group Fiat, might become involved, Hoylake said that could not confirm or deny the suggested names, and tended to play down the idea of an early announcement.

On Friday, Hambros Bank, Hoylake's merchant bank advisers, said that no definitive agreements had yet been reached with further investors.

Lord Prior, chairman of GEC, last night described the suggestion as "speculation", adding "I'm not aware that there's anything in it". Lord Weinstock, GEC's managing director, declined to comment.

There is, however, already an indirect link between GEC and Hoylake: Mr Ronald Grierson, GEC's deputy chairman was appointed a non-executive director of Anglo, which has voting control of Hoylake, two months ago. Paribas and the Agnellis have invested alongside Sir James in the past – Paribas very recently via another Anglo associate, Sunningdale, when it acquired a 29.9 per cent stake in Ranks Hovis McDougall.

Cool response from Wall Street

By Anatole Kaletsky in New York

TAKEOVER SPECIALISTS on Wall Street are growing increasingly uncertain about the seriousness of Hoylake's offer for BAT, as well as about the chances of an alternative white knight bidder emerging.

BAT's US strategists intend to exploit this scepticism fully. Initially at least, they will rely on a "just say no" defence, instead of trying to organise alternative offers or restructurings.

While most of Wall Street's top investment banks and leveraged buyout houses were still doing their sums over the weekend on Hoylake's offer, people directly involved in the battle thought it was unrealistic to expect any specific initiatives either from BAT or from other potential bidders until Sir James Goldsmith and partners proved the seriousness of their intentions. Several arbitrageurs said they had not yet decided whether to take positions in the BAT bid.

Wall Street's subdued response to the BAT takeover contest has disappointed some investment bankers, who saw Sir James's audacious move as a potential catalyst for more large scale takeovers and restructurings in Britain and the rest of Europe. Amid signs that the supply of candidates in the US is running out, many see Europe as a lucrative new arena.

The arbitrage community's initial disappointment with the BAT offer has been reflected in relatively subdued trading in BAT American Depositary Receipts, as well as the now fairly modest premium to Hoylake's offer in BAT's share price.

Bankers and arbitrageurs gave several reasons for the relative inaction on Wall Street. One was that US arbitrageurs have burnt their fingers several times by following Sir James's takeover manoeuvres and had less faith in him than in other bid specialists, like Mr Carl Icahn or Lord Hanson.

There was also scepticism about a white knight bidder for BAT emerging from Wall Street. The most likely organisers of an alternative to Hoylake's bid were seen as the three groups who put together leveraged buyout offers for RJR-Nabisco last year. These were Kohlberg Kravis Roberts, Forstmann Little & Company and a consortium specially formed by Shearson Lehman Hutton and Salomon Brothers.

KKR, which ended up buying RJR, is known to be studying the BAT situation, but could be deterred from bidding by concerns about excessive exposure to the tobacco industry among its investors.

It could also face anti-trust problems. The possibility remains, however, that KKR could take part in a bid for BAT, if it could find a partner interested in owning the Brown & Williamson tobacco business.

Shearson Lehman is one of the US investment banks helping to organise BAT's defence, while Forstmann Little has shown no interest so far in extending its activities beyond the US and may not have the extensive international contacts required to mount a bid for BAT.

Other US groups believed to be studying a BAT buyout include Morgan Stanley, Merrill Lynch, First Boston and Wasserstein Perella. Wall Street is sceptical of Wasserstein's ability to finance such a transaction, although the first three groups would probably be able to do so.

A consortium bid, involving several US/international investment banks and LBO groups, could be more likely.

A more fundamental concern relates to the differences between US and UK investment and legal attitudes. The UK legal system is seen by some as more conducive to hostile takeovers, but many on Wall Street question whether UK institutions are ready to back large LBOs and the like.

NHL loses bid battle for Business Mortgages

By David Barchard

NATIONAL HOME LOANS, the largest mortgage company in the UK, has acknowledged defeat in its six-week battle for Business Mortgages Trust, the west of England commercial mortgage company, and sold the 29.9 per stake it acquired on June 2.

NHL said that the stake had been sold for 83p per share to Nykredit, the Danish mortgage group, which launched a counter-bid for BMT two weeks ago at 77p per share with the blessing of the company's management. NLH's withdrawal leaves the Danish group virtually assured of the success of its bid with 48.1 per cent of BMT's capital. However, NHL has obtained a premium of 22p per share on its 4.5m ordinary shares in BMT and forced Nykredit to raise its offer of June 29 by a further 6p per share, representing a total premium of 36.1 per cent over the middle market quotation on June 2.

The deal triggered an automatic increased offer from Nykredit to all BMT shareholders under Rule 9 of the City Code on Takeovers and Mergers, bringing the company's market value to £12.5m, compared to the £11.6m of its previous cash offer and the £10.7m all-paper bid by NHL. BMT shareholders who have already accepted the earlier offer of 77p will automatically receive the benefit of the increased offer.

Besieged Gold Fields estimates £350m for year

By Nikki Tait

OPERATING profits of Consolidated Gold Fields, the mining investment company which is facing a recommended £3.5bn bid from Hanson, are estimated at not less than £350m for the year to end-June.

The estimate is given in a letter to shareholders from Gold Fields' chairman, Mr Rudolph Agnew, and contained in the formal Hanson offer document.

The profits figure – an increase of 32.5 per cent on the previous year – is somewhat higher than the total of at least £335m suggested by Mr Agnew in the course of the previous bid battle against Minorco, the South African-controlled investment company.

Mr Agnew adds that earnings per share for 1988-89 are now estimated to be not less than 102p.

This compares with 100.2p in the previous year, including 37p from the sales of operations.

He also says that he believes the Hanson offer undervalues Golds Fields' long-term potential, but that the board has been advised that – in the absence of a recommendation and in present circumstances – Hanson would be likely to obtain control at a value "materially lower than that now being offered".

De La Rue to sell Crosfield Electronics

By Ray Bashford

De La Rue, the bank note printer and electronic equipment manufacturer, will tomorrow announce the sale of Crosfield Electronics, the company's troubled computer printing systems maker.

Mr Jim Salmon, the deputy chief executive of De La Rue, yesterday refused to comment on the sale amid speculation that Du Pont, the US chemical company, is a likely buyer.

De La Rue confirmed last Friday that "detailed discussions" were taking place on the disposal of Crosfield after Scitex Corporation began buying De La Rue shares.

Panfida at £0.56m despite US losses

Panfida Group, the retail and property company which is embroiled in a legal battle with Guinness over the sale of Martins newsagents, reported pre-tax profits of £561,000 for the half year to March 31.

However, after tax and minority interests were taken into consideration, losses amounted to £1.41m.

Last month, Panfida warned that losses in its US businesses would affect the results and launched a £9.1m rights issue to reduce borrowings.

The interim dividend is a same-again 0.5p.

Aim rises 26% and calls for £9.3m

Aim Group, the manufacturer of aircraft interiors and equipment, boosted pre-tax profits 26 per cent during the year to April 30 and is making a one-for-four rights issue.

Pre-tax profits reached £4.5m (£3.6m) on a 46 per cent growth in turnover to £51.1m (£34.9m).

The rights issue at 365p a share is planned to raise £9.3m.

Earnings per share firmed 16 per cent to 26.4p (22.7p).

The board has recommended a final dividend per share of 6.6p (5.3p) making a total of 9p (7.5p).

Acsis exceeds expectations with £3.04m

ACSIS GROUP, the USM-quoted marketing and services company, exceeded City expectations with pre-tax profits of £3.04m. The result compared with £1.67m last time, which was restated from £554,000 to take in acquisitions made since then. Group turnover stood at £14.05m (£8.73m).

Earnings per share increased from 1.5p to 2.5p. An interim dividend, totalling 0.3p against nil last year, is being paid.

Anglo & O'seas up

Available revenue of the Anglo & Overseas Trust rose by £1m to £3.61m for the first half of 1989 after taking account of a £0.55m rise in tax to £1.65m and same-again preference dividends of £41,000.

Net asset value at June 30 was 333.8p, against 277.3p a year earlier. Gross revenue for the period expanded from £5.8m to £7.6m with unfranked income showing an advance of £1.06m to £2.42m.

Earnings per 25p ordinary totalled 3.07p (2.2p) and the interim dividend is being lifted from 1.35p to 1.6p.

Midterm rise for Gen Cons Inv Tst

General Consolidated Investment Trust increased its net asset value per 25p capital share from 200.4p to 250.7p over the six months to end-June 1989. At June 1988 asset value per capital share was 220.1p.

Net revenue for the half year to end-June amounted to £2.07m (£1.66m) after tax of £811,000 (£676,000).

Earnings per 25p income share were 4.65p (3.59p) and the interim dividend is being stepped up from 3.24p to 4p.

Moorgate Inv Tst up

Net asset value per share at Moorgate Investment Trust rose to 248.1p at May 31 compared with 220p last time.

Franked revenue increased to £1.49m (£1.13m) while unfranked income fell slightly to £38,000 (£40,000).

Net interest receivable was up at £261,000 (£218,000) and revenues before tax totalled £1.67m (£1.29m).

Tax took £438,000 (£355,000) after which earnings per share rose to 5.83p (4.67p) and the recommended final dividend of 5.6p makes a total for the year of 8.68p (6.5p).

Nat Telecoms drops below expectations

Despite turnover almost doubling at National Telecommunications in the year to the end of March pre-tax profits fell from £2.91m to £2.64m.

There had been a warning of problems in May but the result was lower than the £3.1m to £3.3m then expected.

Turnover increased from £19.48m to £37.06m. After tax of £450,000 (£376,000) earnings per share came through at 8.46p (11.07p) basic or 8.06p (10.21p) fully diluted.

FINANCIAL TIMES STOCK INDICES

	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 7	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.46	86.14	86.06	85.90	85.72	85.43	89.29	83.75	127.4	49.18
Fixed Interest	96.95	96.84	96.86	96.82	96.61	96.80	99.59	95.21	105.4	50.53
Ordinary	1886.4	1868.0	1858.3	1850.3	1820.1	1816.6	1886.4	1447.8	1926.2	49.4
Gold Mines	202.1	201.6	203.0	204.7	203.3	206.0	206.0	154.7	734.7	43.5
FT-Act All Share	1159.82	1152.58	1152.23	1148.14	1125.18	1122.34	1159.82	921.22	1238.57	61.92
FT-SE 100	2273.7	2258.0	2256.7	2250.9	2195.2	2189.1	2273.7	1782.8	2443.4	986.9

هكذا من الاصل

INTERNATIONAL CAPITAL MARKETS

BAT BID: FINANCIAL STRUCTURE

Questions raised over conditions

NOBODY on Wall Street or in the City of London believes that the £13bn bid for BAT Industries will be the last word on the subject as the vultures hover for another corporate dismemberment. Neither do they believe that the current bidding group, led by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, will be able to get away without introducing cash into an all-paper bid.

But, according to bankers and corporate finance specialists, the structure and nature of the bid raises some important questions.

● With the prices of most corporate assets in the US at sky-high levels, US banks and securities houses are looking overseas for business. What will be the final consequences of the training of American financial firepower on the European corporate scene?

● Will the UK get a junk bond market? Although the subordinated loans being offered to BAT shareholders are denominated in dollars and hence could be placed with US and Japanese investors, there are expectations that some sterling junk could eventually be issued as part of the bid. If so, expect Drexel to set up a junk bond trading unit in London. If it does, will it find an appetite for the paper? The only institutions to show interest in sterling mezzanine debt, the less tradeable UK equivalent, have been commercial banks.

● Will Bankers Trust and Drexel Burnham Lambert really be able to provide liquidity for the senior and subordinated notes, respectively? Drexel has always laid stress on the liquidity it provides to investors in high-yield bonds. Its continued dominance of the US junk bond market suggests many investors continue to believe its claims.

Bankers Trust has no such track record in securitised lending, although it shown its ability to sub-participate loans to smaller banks.

Indeed, bankers speculate that no matter what the final form of the offer – cash, securities or both – the size of the offering means that the senior underwriters will require a sort of controlled distribution of secondary market sales similar to the technique used in the financing of RJR Nabisco's leveraged buy-out. In that case, sales of portions of the mammoth $13.6bn in bank financing were made to smaller lenders in a centrally controlled fashion by the main underwriting banks. This prevented banks from undercutting each other in the secondary market and insured that major lenders had equal access to the Japanese capital markets where a large part of the debt was absorbed.

The fact that Bankers Trust has been asked to distribute senior notes underlines the similarity between the techniques used to syndicate bank loans and to sell new securities. The key in both markets is distribution capability. Bankers Trust's own lending limits probably do not even allow it to take on to its own books at any one time much more than one-twentieth of the £6.5bn on offer. If there is appetite for such sterling-denominated assets, the Japanese banks will probably be large takers, but are likely to require currency swaps to hedge their positions. The same could well be true of American investors such as insurance companies who are willing to take on the credit risk but turn shy at the thought of currency risk.

But what liquidity means in the context of this bid is the subject of debate, particularly since US commercial banks are simply not market makers in corporate debt securities in their home markets.

If the bid were to proceed as described with Bankers Trust the only market maker in the senior debt, could investors feel confident of selling their securities at a price near par at any time? After all, the promise to make markets does not contain any guarantees about repurchase price.

Drexel has a reputation as a market maker which also supports the price of its securities, which is unchartered territory for Bankers Trust. Reports last week that Bankers Trust had been sounding out other lenders about how many of the new securities they would buy came as no surprise.

Stephen Fidler and Norma Cohen

BAT BID: EVENT RISK

New danger crosses the Atlantic

"CREDIT is suspicion asleep," the late Mr Henry Wallich once joked. The former Federal Reserve governor's words serve as a salutary reminder of the essential precariousness of credit judgments. Those decisions get harder, not easier.

The fate of the BAT Industries $400m Eurobond, pulled last week in response to the hostile bid from Hoylake, introduces to these shores a *kind of risk previously* thought to be confined to American companies. Together with most things good and evil, "event risk" has crossed the Atlantic.

The flexibility and efficiency of the Euromarkets rests, among other things, on an ability to make quick – even instantaneous – credit decisions. And on the whole, practitioners have got away with a relatively *superficial* approach to credit and other risks. But events like last week's scare underwriters and investors alike – for a while – into re-examining just how secure their seatbelts are.

Event risk is by definition elusive. Even the rating agencies, as they admit, are no seers. A report in May by Moody's on event risk concluded "downgrades resulting from special events outside the US will be minimal, and . . . special event risk of international companies is unlikely to present a major problem for bondholders over the next few years." The policy response of European governments may prove the agency right, but the assertion looks more vulnerable than a week ago.

Standard & Poor's and Moody's take a different approach to evaluating event risk. Ms Gail Hessol, a vice president at S&P, said last week "vulnerability to event risk is beyond our scope to determine; there is no logical way to do it."

But Moody's regards it as abdication of its duty not to try and evaluate this, along with all other types of risk. It says it has been increasingly taking event risk into consideration when assigning overall ratings for the few years.

But when such judgments go wrong, investors cry out for something more, namely covenants in bond indentures, allowing them to put bonds back to the borrower in the case of an "event."

Unfortunately, watertight clauses are few and far between. S&P is shortly to introduce a service to the US market that rates covenants on a scale of one to five according to their perceived strength, and as Ms Hessol points out, "only a very few of the existing deals would qualify for the top two categories."

In the wake of the RJR Nabisco LBO there were strident calls for better investor protection, but some of the results were unimpressive. A Eurosterling Eurobond for Federal Express came with an event risk clause which failed to cover the "event" that materialised within days of launch.

Equally, if the covenants are too tight, they could contravene shareholders' interests. However, as Mr Gerald Corbett, financial director of Redland, says: "If it were a choice between achieving tighter funding with covenants, or paying more without restrictive clauses, I would err on the side of tighter funding."

Katharine Campbell

INTERNATIONAL LOANS

Spotlight stays on acquisitions

ACQUISITION financing remains the focus of attention in the Euroloans market, although all other deals are dwarfed by the size of Hoylake's bid for BAT Industries.

Still, market speculation has turned to Hanson's proposed £3.5bn acquisition of Consolidated Goldfields. On Friday, Mr Martin Taylor, Hanson's vice chairman, said the company had entered into negotiations with a US money centre bank about financing. Market speculation has focused on Chemical Bank.

Meanwhile, actual syndications of financings for the leveraged buyout of Magnet and the Isosceles bid for Gateway are expected to be under way shortly.

The Bank of Greece awarding the refinancing of a $400m term loan to the group which arranged the original credit. As expected, the new 5¾-year loan, which replaces an eight-year loan, has had its margins cut to ¼ over London interbank offered rates. The original loan carried a margin of ⅜ points. Citicorp is bookrunner.

The Republic of Turkey is tapping the market via the undersecretariat of Treasury and Foreign Trade. Citicorp is arranging a $200m three-year term loan with a prepayment option after the first year. If the loan is not prepaid, it begins amortising at 18 months.

Norma Cohen

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kanematsu-Gosho‡◆	130	1993	4	4⅛	100	Nomura Int.	4.125
Toa Steel Co.‡◆	100	1993	4	4⅛	100	Nomura Int.	4.125
Unitika Ltd.‡◆	300	1993	4	4	100	Nomura Int.	4.000
Ex-Im Bank of Japan◆	200	1999	10	8⅝	101.20	Paribas Capital Mkts	8.443
Austria, Republic of◆	175	2000	10½	8⅝	101⅛	J.P. Morgan Secs.	8.446
Tokyo Electric Power◆	300	1996	7	8¾	101.85	NatWest Capital Mkts	8.390
Kajima Corp.‡	400	1993	4	(4⅜)	100	Daiwa Europe	★
Mitsubishi Rayon Co.‡	150	1993	4	(4½)	100	Nikko Secs. (Europe)	★
Toyota Motor Credit◆	200	1994	5	8½	101¾	J.P. Morgan Secs.	8.061
Bergen Bank◆	25	1990	1	8⅝	100.825	Sanwa Int.	7.736
Banesto Finance(f)‡◆	130	1994	5	5¼	100	Morgan Stanley	5.250
Iwatani Int. Corp.‡	300	1993	4	(4⅜)	100	Nomura Int.	★
Taisho Marine & Fire‡	300	1993	4	(4⅜)	100	Nomura Int.	★
Allied Irish Banks(p)◆◆	325	Undated	-	⅝	100	Merrill Lynch	-
British Telecom Finance◆	200	1999	10	8¾	101.90	Daiwa Europe	8.461
Osaka Prefecture◆	140	1994	5	8½	101.70	Bk of Tokyo Cap.Mkts	8.073
Bqe Nationale de Paris◆	250	1994	5	8⅝	101⅞	BNP Capital Markets	8.153
Bank of Nova Scotia(t)◆	100	1999	10	9⅛	102	Bankers Trust Int.	8.816
CANADIAN DOLLARS							
Metall Mining Corp.(s)§◆	35	1999	10	7½	100	Burns Fry	7.641
AUSTRALIAN DOLLARS							
ANZ Banking Group◆	60	1992	3	16¼	101⅞	Hambros Bank	15.423
GMAC Australia(Finance)◆	60	1992	3	16	102	Hambros Bank	15.122
Redland Overseas F'ing◆	100	1993	4	16	101⅝	J.P. Morgan Secs.	15.426
NEW ZEALAND DOLLARS							
Sth Australia Govt.Fin.◆	50	1994	5	13¾	102	Hambros Bank	13.179
D-MARKS							
Bqe Nationale d'Algerie◆	150	1994	5	8½	100	BHF-Bank	8.500
Turkey, Republic of◆	400	1996	7	7¾	100	Commerzbank	7.750
ECSC(q)‡◆	120	1997	6½	-15bp	100⅜	Trinkaus & Burkhardt	-
SWISS FRANCS							
Toa Steel Co.(c)★★§◆	120	1994	-	½	100	Nikko/Bank J. Baer	0.500
Shinshu Jusco(d)★★§◆	35	1994	-	½	100	SBC	0.500
Isolite Insul'ing(b)★★§◆	30	1993	-	Zero	100	SBC	-
Dai-Ic. K.Seiyaku(h)★★§◆	65	1994	-	⅝	100	Handelsbank NatWest	0.625
Daido Steel Sheet(i)★★§◆	55	1993	-	½	100	UBS	0.500
Nippon Valqua(n)★★§◆	150	1994	-	Zero	100	Banca del Gottardo	-
Toyo Eng.Works(o)★★§◆	30	1993	-	¼	100	Nomura Bank (Switz)	0.250
Mishima Paper(a)★★§	50	1994	-	(Zero)	100	Nikko/J.H.Schroder Bk	★
Daiei Finance(g)★★§	200	1994	-	(½)	100	Citicorp Inv. Bank	★
Uehara Sei Shoji(m)★★§	50	1993	-	½	100	Credit Suisse	★
STERLING							
Legal & General Group◆	75	1992	3	12½	101⅞	J.P. Morgan Secs	11.723
Laing Properties◆	75	2010	21	11½	100.088	UBS-Phillips & Drew	11.489
ECUs							
DSL Bank◆	75	1994	5	8¾	101⅞	Mitsui Fin Int.	8.277
EDF◆	200	1999	10	8⅝	101½	Paribas Capital Mkts	8.397
Deutsche Bank Finance◆	200	1994	5	8⅝	101⅞	Deutsche Bk Cap.Mkts	8.153
FRENCH FRANCS							
WestLB Finance◆	500	1993	4	9	101½	CCF	8.542
Elf Aquitaine◆	600	1999	10	9	101⅞	CCF	8.712
GUILDERS							
Aegon NV◆	200	1998	9	7⅛	100½	ABN	7.048
EIB◆	150	1999	10	7⅛	101⅝	ABN	6.895
Nationale Nederlanden◆	250	1994	5	7	101½	ABN	6.638
LIRE							
EIB◆	200bn	1995	6	11½	100⅛	Banca Naz.del Lavoro	11.410
PESETAS							
EIB◆	10bn	1994	5	11.85	101⅜	Banco Espanol de Cr.	11.474
SWEDISH KRONA							
Electrolux◆	500	1992	3	11¼	101⅛	Enskilda Securities	10.791
YEN							
Marubeni Hong Kong◆	10bn	1994	5	8	113⅝	Nomura Int.	4.665
Toronto-Dominion Bk(e)◆	6.5bn	1999	10	7.6	101.90	LTCB Int.	7.325
Jewel IV Cayman(j)◆	10.5bn	1993	4	(j)	100.2	Daiwa Europe	-
Jewel IV Cayman◆	15bn	1993	4	5½	101⅜	Daiwa Europe	5.111
Cariplo(k)◆	5bn	1990/92	1/3	6	101⅜	Toyo Trust Int.	-
St. Bk Sth Australia(l)◆	3.6bn	1991	2¼	10	101⅜	Nomura Int.	9.252
Bergen Bank(r)◆	2.76bn	1990	1	7.3	101⅛	Sumitomo Trust Int.	6.106

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Variable rate notes. ◆Final terms. a) Indicated yield to put 4.21%. b) Yield to put 4.109%. c) Yield to put 3.98%. d) Yield to put 4.081%. e) Coupon payable in A$. f) With warrants exercisable into shares of Carburos Metalicos between Aug.1990-Aug.1994. g) Yield to put 4.22%. h) Yield to put 4.1%. i) Yield to put 3.958%. j) Coupon 5½% first three months, yen 6-month Libor plus 0.1% thereafter. k) Launched in 3 tranches, one of Y1bn, two of Y2bn, for 1, 2 and 3 years. Redemption linked to Nikkei stock index. l) Redemption linked to oil future contract. m) Yield to put 4.047%. n) Yield to put 3.824%. o) Yield to put 4.102%. p) ⅝ over 3-month Libor. Alternative 1¼% over Libor p.a. for years 1-10, 1¾% thereafter. q) 15bp under 6-month Libor. r) Redemption linked to yen/$ exchange rate. s) Part of C$125m issue. C$25m purchased by Metallgesellschaft, remainder offered in domestic market. t) Call after 1 year at par. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Hopes high for an easing of policy

HOPES remain high for further imminent easing of US monetary policy despite some awkward inflation figures which made bond markets a little skittish on Friday.

Bond prices sank three-quarters of a point when the producer price index turned out to have risen 0.7 per cent in June if the volatile food and energy prices were excluded. Many economists, attributing the increase to jumps in tobacco and ship prices, tried to assure the markets the underlying trend was positive.

Other figures on Friday for lower industrial production, reduced capacity utilisation and declining retail sales all reinforced the view of a cooling economy. The data are showing there is "a better balanced and still-improving picture on the inflation front for the rest of the summer," said Ms Maria Fiorini Ramirez, Drexel Burnham Lambert's money market economist.

Mr Bob Brusca, chief economist of Nikko Securities in New York, said: "The inflation picture is good. Industrial output is weak. The consumer is sleeping."

The markets might have held their ground better if the data had been benign enough to allow the Federal Reserve to shave another quarter of a point off the Fed funds rate. Bulls were banking on such an immediate easing on Friday which they hoped would in turn revive the stalled bond market rally.

When the Fed instead kept Fed funds steady by draining reserves, the selling began. It was short-lived and by the end of the session bonds had regained about half the ground they lost earlier in the day.

Overall it was a desultory week with credit markets drifting a little lower while they waited for the slew of economic data on Friday. They were also depressed by the selling of some $1.5bn of mortgage-backed bonds by some savings and loan institutions.

As a class, the thrifts have been heavy sellers recently – at their own volition or prodded by regulators – taking the opportunity of bond market strength to reduce their interest rate exposure. It impacts the Government market because dealers buying the mortgage securities frequently sell Treasuries as a hedge.

But the air is still thick with hopes the rally will resume when the Fed eases. Traders and investors will not only continue minutely to analyse every market move of the Fed. They will also pick over the words of Mr Alan Greenspan, Fed chairman, when he gives Congress on Thursday his semi-annual Humphrey-Hawkins testimony on the state of the economy and Fed policy.

His audience should be much happier with him this week than six months ago when many Congressmen were more worried about high interest rates killing economic growth than they were about curbing inflation. Those critics will have been silenced by the Fed's easing of monetary policy recently and by the robust rally since mid-May which has driven down interest rates to their lowest levels in about two years.

Resisting easing last Friday was a reassuring gesture by the Fed for critics on the other side of the argument who worry that the central bank is being too accommodating. Still, if June's consumer price index turns in on Wednesday only a modest increase as forecast of some 0.2 or 0.3 per cent, then the Fed might ease policy before Mr Greenspan testifies.

Although the timing is in doubt, the trend is not. There is a broad consensus in the market that the central bank will cut the Fed funds rate by a quarter of a point this month. A cut of the same amount is likely to follow next month after the Fed has seen the July jobs data and purchasing managers' report. These would take the rate at which banks lend reserves to each other down to around 8¾ per cent.

Forecasts of what the Fed does with policy after that are rather murky. Some economists warn that further easing is unlikely because the economy will pick up again later in the year. "The odds are quite good that some time in the fourth quarter the monthly numbers will start to turn round again," said Griggs and Santow, a firm of money market economists.

The market could also run into some difficulty with the Treasury's quarterly refunding next month. The federal government is certain to hit its debt ceiling before the auctions. There is a good chance, though, Congress will approve another temporary increase.

Even if it does, the typical pattern of quarterly refundings usually makes August the one that inflicts "most pain on purchasers," Griggs and Santow said. This one will be no exception as the market tests how much real appetite investors have for long bonds yielding less than 8 per cent.

Congress was turning the screws in another corner of the debt market last week. As part of a package of measures to raise $5.3bn in new revenues, the House Ways and Means Committee proposed some changes in the way certain junk bonds are treated.

Though muted compared with the spectacular ideas flung around in the wake of the 1987 crash and RJR Nabisco leveraged buy-out, the proposals, if passed by the full Congress, will send a message to engineers of junk bond financed takeovers and buy-outs.

Basically, they treat as preferred stock certain types of junk bonds. This means their interest payments will be treated as dividends and thus no longer deductible against their issuers income tax.

The rule would apply to junk bonds meeting three tests: a yield to maturity more than five percentage points greater than that of comparable Treasuries; a term of at least three years; and an issue price at a steep discount to face value or interest payments in a non-cash form.

The proposals are aimed at the likes of zero coupon, payment-in-kind and deferred interest bonds where the issuer minimises cash interest payments to lighten his debt load. But these securities account for well under 20 per cent of the junk bond market so the impact should not be severe.

Roderick Oram

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	825.0	0.0	86.0	11,674.9
Prev	903.0	3.9	287.0	9,556.9
Other	706.6	70.5	21.5	3,331.2
Prev	1,554.6	121.4	873.9	1,983.5
Secondary Market				
US$	18,235.5	682.6	4,449.6	7,919.6
Prev	18,178.0	945.4	5,204.5	7,646.1
Other	13,029.9	952.7	4,062.4	27,181.3
Prev	16,837.0	1,435.5	7,068.8	24,695.0

	Cedel	Euroclear	Total
US$	13,294.4	30,578.8	43,873.2
Prev	12,244.8	30,479.0	42,723.8
Other	21,961.9	27,394.2	49,356.1
Prev	21,668.4	32,921.3	54,589.7

Week to July 13, 1989

Source: AIBD

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.19	9.00	9.13	10.00	6.27
Three-month Treasury bills	8.08	7.96	8.46	9.13	6.21
Six-month Treasury bills	8.01	7.88	8.38	9.67	5.72
Three-month prime CDs	8.70	8.97	9.10	10.15	6.77
30-day Commercial Paper	8.80	9.05	9.25	9.70	6.56
90-day Commercial Paper	8.50	8.75	8.95	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99¾	n/a	7.91	7.99	8.15
20-year Treasury	110½	-¼	8.17	8.11	8.16
30-year Treasury	108½	-¾	8.08	8.04	8.14

Source: Salomon Bros (estimates).

Money supply: In the week ended July 3 M1 rose 7.9bn to $777.4bn.

NRI TOKYO BOND INDEX

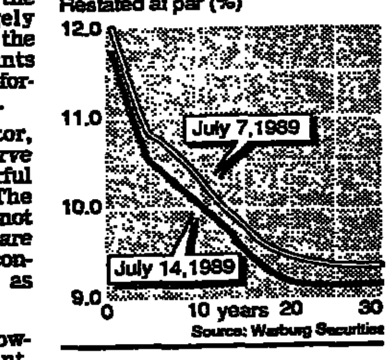
December 1983 = 100	13/7/89	Average yield (%)	PERFORMANCE INDEX Last week	12 wks ago	26 wks ago
Overall	148.67	5.20	148.13	148.10	148.69
Government Bonds	148.79	5.02	148.22	148.43	149.82
Municipal Bonds	150.56	5.40	150.03	149.91	150.72
Govt.-guaranteed Bonds	151.50	5.48	151.04	150.88	151.69
Bank Debentures	142.58	5.17	141.92	141.88	141.43
Corporate Bonds	150.97	5.51	150.69	149.93	148.22
Yen-denom. Foreign Bonds	155.63	6.12	155.80	153.95	151.74
Government 10-year†	5.06		5.14	4.98	4.81

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Advance reflects foreign interest



THE RISE in the gilt-edged market in the last week was initially cash-led but, by the end of the week, largely futures-driven. The rise in the market has by all accounts been more a reflection of foreign than domestic interest.

For the domestic investor, the steepness of the yield curve inversion makes for a powerful disincentive to go long. The cost-of-carry sums just do not add up, especially if you are not convinced that the economy is performing as well as the authorities would like.

The foreigner does not, however, suffer this constraint. Indeed, high nominal UK interest rates, combined with the recent easing in US monetary policy, have led to a significant widening of the differential between UK one to three-year gilts and their equivalents in the US. From last July until mid-May, the differential in favour of short gilts relative to US Treasury notes varied from 100 to 240 basis points; the differential is now close to 375 basis points.

There has been no equivalent rise relative to West German or Japanese government securities but the tightening that has occurred in the UK in the past 12 months has kept the relativities broadly unchanged. There is a 490 basis-point yield advantage for a German investor at the short end of the gilts market – around the average for the year – and a 670 point advantage for Japanese investors. There is, therefore, still a healthy margin of error for the Japanese or German investor who may have lingering doubts about the health of sterling.

Did last week's batch of economic indicators do much to change the outlook for domestic investors? Not much. In sum they amounted to a bit more evidence that perhaps something is happening which, if continued, would amount to encouraging signs of success. The picture is still unfocused and the outlook therefore unclear.

The short sterling and equity markets got somewhat ahead of themselves towards the end of the week and began to look for a cut in official interest rates. Friday's slightly better-than-expected inflation number was no more than that. The market had been told to expect inflation to peak during the summer by the Treasury and many of its own analysts. The story based on this scenario has not changed materially. Few in the market see inflation much below 7 per cent, if that, by the end of the year, although the Bank of England and the Treasury are slightly more optimistic.

That said, the wholesale price data released early last week were encouraging. The fall in oil prices and commodities in general seems to have fed through into much lower rises in industry's costs (the fall in oil and, hence, petrol prices, is one of the main reasons why the Treasury thinks inflation peaked in June).

The labour market data were also encouraging. The rate of growth in the workforce appears to be moderating; overtime worked was down and "short-time" (working fewer hours than normal) was up. Although this amounts to the positive side of the slowdown, the negative component is a concomitant rise in unit labour costs. That would occur without any rise in pay settlements but the deterioration may be even worse if, as many suspect, pay deals rise substantially in the autumn/winter.

Of equal concern to the authorities and the market is the behaviour of the consumer. Although most would agree the UK economy is slowing, there is conclusive evidence that the balance of demand has changed significantly. Consumer lending figures released last week indicated that the personal sector's appetite for credit was not only undiminished but higher than in previous quarters. This evidence is supported by the return to rising levels of retail sales over past months.

The authorities' decision to stay with 14 per cent rates and to risk the fall-out from another rise in mortgage interest rates is an indication that they remain concerned about the consumer. While ambiguity remains, another rise in official interest rates cannot be ruled out.

● The Sir James Goldsmith-led £13bn leveraged buy-out of BAT Industries, if successful, has huge implications for UK financial markets, not the least being "event risk" for holders of unsecured debt. This was underlined on Thursday when BAT was forced to call a £400m Eurosterling issue and earlier when the unsecured debt of most companies was marked down in the wake of the bid.

It is too early to draw any firm conclusions for sterling bond markets but a number of possibilities seem to present themselves. Unsecured debt will probably have to include an event-risk premium in the future to entice institutions and that may be enough to diminish the attraction of issuing such debt for some companies.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JULY 14

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Southmark applies for Chapter 11 protection

By Roderick Oram in New York

SOUTHMARK, a leading Texas financial services and real estate group with debts of more than $2bn, has filed for protection under Chapter 11 of the US bankruptcy code.

The Dallas company is a victim of the vicious 1980s boom-bust cycle in Texas real estate and, according to outside directors and dissident shareholders, bad management. It is the largest company to seek protection since Texaco did two years ago.

Southmark won permission, however, from Federal regulators to allow its San Jacinto Savings and Loans subsidiary to keep running as long as it met regulatory capital requirements. The Houston thrift, which has some $3.5bn in assets, said its capital of $184m exceeded requirements.

After the old management was ousted, a new team led by Mr Arthur Weiss, chairman, had tried to refinance the company but without seeking the protection of the courts.

But their efforts appeared doomed since May when Southmark announced a loss of $1.04bn for the third quarter ended March 31, leaving it with negative net worth.

As much as $800m of the loss came from the write down of assets ordered by Price Waterhouse, the company's new auditor. Mr Weiss acknowledged in May that the Texas real estate market was recovering far more slowly than Southmark expected.

The company was too weak financially to carry its non-performing assets until full economic recovery came.

He said on Friday that forecasts showed the company could not meet its interest and principal obligation after November 1.

The company had raised some money from asset sales and had $60m cash on hand but bondholders had resisted the new proposed terms.

Olympia & York raises offer

OLYMPIA & York Developments, the privately-held Canadian property company, has raised its takeover bid for BCE Development to C$700m (US$598.2m) from C$557m, Reuter reports from Toronto.

BCE Development said a special committee of outside directors had been appointed and was studying the bid.

O&Y's offer of C$2.80 per BCE Development common share and 39 cents per C$5.50 warrant remains the same.

However, O&Y is now offering 20 cents per C$7.06 warrant, up from seven cents in the initial announcement on June 27.

O&Y is also offering C$96 per C$100 of 8 per cent convertible debentures, up from C$92. In addition, it is now offering C$25 per class A preferred share, series one, and C$100 per C$100 of 10% per cent convertible debentures.

The offer is still contingent on O&Y acquiring 90 per cent of the common stock and expires August 15.

BCE, which owns 67 per cent of BCE Development common shares, has agreed to tender its shares along with the C$5.50 warrants and 8 per cent convertible debentures it owns.

● The University of Toronto has filed suit in the Supreme Court of Ontario claiming that a proposed deal between Connaught BioSciences and Institut Mérieux of France violates a 17-year-old agreement not to sell the Canadian vaccines and pharmaceuticals group to foreign interests, writes David Owen in Toronto.

The agreement was signed when the university sold Connaught to government-owned Canada Development Corporation (CDC) in 1972. CDC, in turn, sold its remaining interest in the company 15 years later.

Though the suit could conceivably derail the proposed merger of Connaught's and Mérieux's human-health businesses, the university's principal aim in taking its case to court is to seek written guarantees that significant research and development activities remain in Canada.

The proposed deal, which would create the world's largest vaccine producer, has proved controversial in Canada because it would result in control of the resultant company passing into French hands.

Pru-Bache drops plan to buy Thomson

By Roderick Oram

PRUDENTIAL-Bache Securities has dropped its plans to take over Thomson McKinnon after it found balance sheet problems at the stock brokerage firm which suffered badly during the 1987 crash.

Although retail brokerage remains barely profitable even for the best players, Pru-Bache planned to buy Thomson, the ninth largest firm in the industry, to bolster its position. It was still interested in buying some of Thomson's offices.

Thomson said it was considering various options including selling some assets to Pru-Bache. It has been seeking since last October a buyer for a 23 per cent stake in it held by Hartford Insurance, a subsidiary of ITT. Other Wall Street firms had looked at its books before Pru-Bache but no deal had resulted.

Mr George Ball, Pru-Bache's chief executive, was reported as saying a team from his firm had found at Thomson McKinnon "problems in the balance sheet of sufficient size that it would have been imprudent to proceed with the transaction as originally conceived."

The companies first announced their tentative deal a month ago after discussions.

Comex chief quits in surprise to traders

By Deborah Hargreaves in Chicago

MR JOHN Hanemann, chairman of New York's Commodity Exchange (Comex), resigned late last week in a move that came as a surprise to traders. It followed the resignation of Ms Rosemary McFadden, president of the New York Mercantile Exchange and the appointment of a new president at Comex.

While the resignations will mean a different team in charge of New York's two biggest futures exchanges, they were unrelated. The Comex board swiftly announced the appointment of Mr Bob Fink, Mr Hanemann's *second*-in-command in the member management of the exchange, to the chairmanship.

In a letter to Comex members, Mr Hanemann said he was leaving because of health and financial considerations. He was disappointed when Comex members voted against awarding a salary for the chairmanship in a May referendum, and the chairmanship had been an enormous financial burden on him.

The chairmanship of a futures exchange has traditionally been an unpaid post, but Chicago's two main exchanges and the New York Mercantile Exchange have all introduced salaries for their chairmen. The Nymex board recently voted to boost the salary of its chairman, Mr Z. Lou Guttman, to $100,000.

Mr Hanemann, a gold trader, who was voted Comex chairman in March last year, is also due to have an operation in October, which will involve a four-month absence from the exchange.

The acerbic Mr Hanemann provided much-needed leadership at Comex as the exchange emerged from a difficult period following the 1987 stock market crash and problems with its clearing system. Last week the exchange also appointed Mr Arnold Staloff as its new president.

Mr Fink, a 40-year old trader in gold futures, will serve the remainder of Mr Hanemann's two-year term which expires in March next year.

Ma Bell dials De Benedetti's line

John Wyles on AT&T's vote of confidence in an Italian dealmaker

It may just have been jetlag, but Mr Robert Allen, the AT&T president, never quite managed to look as relaxed and happy in Milan on Saturday about his new $850m investment than did its recipient, Mr Carlo De Benedetti, the Italian deal maker extraordinaire.

While such a large financial investment in Europe by an American industrial company may be without precedent, Mr Allen was adamant in an interview with the Financial Times that he would have no difficulty in persuading his shareholders of its wisdom.

By selling its 22.35 per cent stake in Olivetti and using the proceeds to buy an 18 per cent holding in CIR, Mr De Benedetti's main quoted industrial holding company, AT&T was getting into a diversified business "which has some activities not unrelated to our own and which gives us representation not only in Italy but also in other parts of Europe." The advantage would be manifest, said Mr Allen, given the imminence of the European Community's internal market.

Above all, he added: "I have great confidence in Mr De Benedetti's ability to manage these resources." His respect for his Italian colleague's ability to make a good deal may not be unconnected with the fact that their previous agreement did not leave AT&T free "to take the money and run." Mr Allen would not go into detail on this point.

Seated across the interview table from Mr Allen in an ante-room of Milan's Palazzo Visconti, Mr De Benedetti smiled happily. After months of patient negotiations, he had pulled off what in poker would be regarded as a full house.

Carlo De Benedetti (left) and Robert Allen: new deal has relegated their old alliance to the history books

With considerable ingenuity, he has nearly doubled CIR's stake in Olivetti without spending a lira in cash, substantially increased CIR's shareholders equity to nearly L4,000bn ($3bn) through the AT&T investment and acquired in the US telecommunications giant a highly credible and financially powerful new investor.

And at the same time, Olivetti and AT&T have relegated to the history books an alliance which had become a serious question mark against the judgment of both managements. Mr Allen blames the original 1983 decision to purchase what was then a 25 per cent stake in Olivetti on AT&T's confusion about its future strategy when it was being forced to divest its US telephone companies.

"This was the most dramatic change in the history of our business. AT&T was not sure what it was and did not adequately look into the future."

Like Mr De Benedetti, he rejects any suggestion that the AT&T-Olivetti alliance was a failure, but the only gain he chose to cite for the US company on Saturday was the intangible benefit of managerial experience of an international tie-up. He might have added, of course, a considerable profit on AT&T's original $260m investment which it now values at $500m.

Despite the fact that AT&T eventually went off and made a supply agreement for personal computers with Intel, Mr De Benedetti can at least point to the proceeds from the sale of 600,000 Olivetti PCs in the US between 1984 and 1988. Moreover, Olivetti had benefited, he said, from access to the famed research and development strength of AT&T's Bell Laboratories, particularly the Unix minicomputer standard.

This collaboration will continue, as will the marketing of some Olivetti PCs.

Mr De Benedetti conceded that too much had been claimed for the original agreement back in 1983. Now he wants only to look forward in refining and developing Olivetti's future strategy. He categorically ruled out bringing a European computer company – the name of Bull has been widely mentioned in the Italian press – into an equity partnership, although he emphasised that "Olivetti is ready to play a part in the restructuring of the European industry."

He said he was well satisfied with Olivetti's net profits last year even though declining margins pushed them well over 30 per cent down on the 1986 record of L565bn. Mr De Benedetti enjoys ticking off the company's strengths. "We are number one in information technology, our sales have doubled in five years to $6bn and we are the only profitable company in our business in Europe. Moreover, we have made the right choices in adopting open system architecture and downsizing the product. That is why we are the number one PC manufacturer in Europe."

And what will he be doing to ensure that AT&T has placed its money wisely in CIR? The holding's main investments are in Olivetti – accounting for 30 per cent of total investments – in automotive components (through the French company, Valeo) in publishing (Mondadori-L'Espresso) and in construction machinery (Sasib). Never one to go beyond the general statement when discussing strategy, Mr De Benedetti says that he will keep on strengthening these businesses.

Presumably Mr Allen has rather more detail with which to justify his confidence in Mr De Benedetti.

Motorola poised to expand globally after profits rise

MOTOROLA, the US electronics group, reported a solid rise in second-quarter earnings to $154m or $1.18 a share from $120m or 93 cents, and said it is poised to expand its presence globally, writes Our Financial Staff.

For the first half of 1989, net profits emerged at $277m or $2.13 a share, against $234m or $1.81. Sales rose to $4.56bn from $4.05bn, with a contribution of $2.39bn ($2.10bn) in the second quarter.

Semiconductor products sales rose 9 per cent, new orders 11 per cent and backlog 8 per cent in the second quarter from a year earlier. The company cited the competitive pricing environment in discrete and standard logic products and an increased level of R&D spending.

Mr Robert Galvin, chairman, said semiconductor customers were keeping inventories under control, indicating confidence in Motorola's ability to deliver product quickly. "Demand for our cellular telephone and two-way radio products remains encouraging."

Motorola said its 88000 Risc processor family gained further momentum with its adoption by Unisys to power a major new product line.

Semiconductor orders increased in all market regions, led by Asia-Pacific's continued growth in consumer, communications and personal computer industries.

Elsewhere, Motorola said operating profits gained slightly in the communications sector and rose in the government electronics group.

On general prospects, Mr Galvin said: "We expect more rapid growth in Asia and in Europe than in the US, and we have taken steps to manage our businesses accordingly."

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Midland FSAVCS Unit Trust*					
British	6 57.72	58.34	62.06	2.33	–
European Growth	6 58.09	58.18	61.89	0.27	–
Gilt & Fixed Int.	6 49.91	49.91	53.09	8.91	46652
Income	6 57.73	58.64	62.38	3.36	–
Japan Growth	6 57.49	57.83	61.52	0.00	–
Managed	6 55.62	56.44	60.04	1.95	–
Money Market	6 50.98	50.98	54.04	10.75	–
North American	6 58.07	59.19	62.97	0.23	–

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3463

PM Equity Gth	5 123.1	125.2	133.1	2.59	41169
PM Income & Gth	5 106.0	108.0	114.8	4.56	41170
PM Nth Amer Gth	5 55.01	55.01	58.52	1.29	41171
PM European Gth	5 57.58	57.58	61.25	0.72	41172
PM Japan Gth	5 79.85	78.96	84.00	0.29	41173
PM Overseas Gth	5 53.58	53.58	57.00	0.46	41174

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours. ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours. ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City No.
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Convtbl & Equity	5	63.43	66.47	70.71	6.73	41599
European	5	68.47	68.93	73.32	0.09	46385
Far Eastern	5	62.08	62.25xd	66.22	0.66	46384
Growth Inc	5	90.05	93.42	99.38	1.40	41688
Growth Acc	5	90.05	93.42	99.38	1.40	–
Income Inc	5	85.38	87.10	92.66	4.60	41601
Income Acc	5	85.38	87.10	92.66	4.60	–
Property Share	5	55.57	55.57	59.24	0.99	41602
Smaller Co's	5	59.48	62.77	66.77	1.43	41603
Nth American	5	61.92	61.92xd	66.22	1.40	41209
International	5	48.00	48.00xd	51.35	1.43	41210
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	109.43	109.63xd	114.63	4.34	41604
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	64.48	67.04xd	71.32	2.55	41605
YUTM UK Eqty Inc Fd	5¼	61.27	63.34	67.38	4.45	41606
YUTM Intl Gwth Fd	5¼	51.33	51.33	54.77	1.00	41195

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Exmpt June 7	485.3	503.8		–	40106
Cent. Bd. of Fin. of Church of England‡‡					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Inv Fund June 30		518.35		4.73	40251
Fxd Int Sec June 30		138.65		10.31	40252
Deposit June 30		100.00		13.05	40253
Charinco/Charishare‡‡ (1800)F					
33 King William Street, EC4R 9AS					01-280 2800
C'inco Inc July 5	164.0	168.1		9.95	40254
C'inco Acc July 5	672.9	689.8		9.95	40255
C'share Inc July 5	151.4	156.9		3.70	40256
C'share Acc July 5	166.4	172.5		3.70	40257
Charities Official Invest. Fund‡‡					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Income June 30		493.06		5.01	40258

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath				0444 458721
American	129 0	136 0	–	43285
Building Soc. Fd	172 0	182 0	–	43286
Balanced	288 0	304 0	–	43287
European	182 0	192 0	–	43289
GT Managed	179 0	189 0	–	43290
Gartmore Mngd	119 0	126 0	–	43291
German	129 0	136 0	–	43292
Gilt	183 0	193 0	–	43293
Global	49 0	52 0	–	–
High Inc.	123 0	130 0	–	43294
International Equity	200 0	211 0	–	43295
Japan	242 0	255 0	–	43296
Managed	64 0	68 0	–	43297
Property	283 0	298 0	–	43298
R. W. Imperial Gold	149 0	157.0	–	43299
UK Equity	369 0	389 0	–	43300
Pension Funds				
American	150 0	158.0	–	43301
Building Soc. Fd	173 0	183 0	–	43302
Balanced	222 0	234 0	–	43303
European	182 0	192.0	–	43305
German	113 0	119 0	–	43308
Gilt	156 0	165.0	–	43309
International Equity	144 0	152 0	–	43310
Japan	138 0	146 0	–	43311
Managed	66 0	70 0	–	43312
Property	218 0	230.0	–	43313
UK Equity	334 0	352.0	–	43314
Prolific Life & Pensions Ltd				
Sizamongate Kendall, Cumbria LA9 4BE				0539 733733
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd	606 1	638.7	–	43315
Adventurous Mngd	130 7	137 8	–	46402
Secure Mngd	112 2	118.3	–	46403
Cash Fd	234 8	247.5	–	43316
Property Fund	288 1	306.5	–	43317
Equity Fund	684.8	721.7	–	43318
Fxd. Int. Fund	299 2	315.3	–	43319
International	303 7	323 1	–	43320
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,400	Exch 10pc 1989	99 xd	–	26.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99	13.34	20.2	29 Mar 29Sep	1256
601	Treas 5pc 1986–89	98	11.74	9.3	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99¼	12.75	10.4	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	100 xd	12.02	8.6	15 Jul 15 Jan	1300
500	Treas 2pc IL '90 (84.6)	130½ xd	9.98	19.6	25 Jul 25 Jan	1311
1,400	Exch 11pc 1990‡‡	99 xd	12.18	12.7	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99	12.53	13.2	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	94	10.42	3.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	96	12.48	9.5	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	97 xd	10.95	9.6	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	97¼	11.94	20.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	91	9.22	17.4	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	99	11.74	27.6	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	92	10.89	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	89¼	9.56	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	97	11.55	27.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	99	11.39	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	93	11.39	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	103¼ xd	11.04	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	97	11.13	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92	11.38	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98	11.04	31.3	7 Nov 7 May	1289
500	Treas. 3pc 1992	84½	9.45	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	103	11.02	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	106	10.90	13.2	22Mar 22Sep	1266
950	Treas 8¾pc 1993	92½ xd	10.78	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	98	10.65	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	106 xd	10.68	27.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	86	10.29	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	110	10.61	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	92 xd	10.57	27.6	3Aug 3Feb	–
600	Treas 14½pc 1994‡‡	114	10.39	23.1	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	110	10.64	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	98¼	10.42	3.5	9Dec 9Jun	1284

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,550	Exch. 12½pc 1994	107	10.61	16.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	94	10.40	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	106 xd	10.57	19.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	75½	8.40	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	99 xd	10.48	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	110¼	10.43	10.4	15May 15Nov	1298
900	Treas. 14pc '96	115 xd	10.62	15.6	22Jul 22Jan	1305
750	Treas. 9pc 1992–96‡‡	94	10.23	6.2	15Sep 15Mar	1344

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	88½	11.80	1.12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Assd	200	–	–	1Apr 1Oct	–
4	Do. 4½pc 87–92 Assd.	84½ xd	9.33	14.7	7Feb 7Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	Nwide Anglia 12pc 17.7.89	99	14.51	12.12	11Jan 17Jly	–
20	Do. 11pc 7.8.89	99 xd	14.04	12.7	1Feb 7Aug	–
20	Do. 11pc 29.8.89	99	14.00	–	2Feb 29Aug	–
20	Do. 12pc 18.9.89	99	13.99	10.2	12May 18Sep	–
20	Do. 12pc 2.10.89	99	14.13	27.2	26Mar 2Oct	–
20	Do. 11pc 6.11.89	99	14.11	31.3	30Apr 6Nov	–
20	Do. 12pc 4.12.89	99	14.06	28.4	29May 4Dec	–
20	Do. 12pc 2.1.90	99	14.04	30.5	2Jan 28Jun	–
20	Do. 12pc 29.1.90	99	14.05	23.6	29Jan 23Jly	–
–	Do. 12pc 26.2.90	99	14.03	–	26Feb 20Aug	–
–	Do. 12pc 19.3.90	99	14.05	–	–	–
60	Do. 3¾pcIL Ln 2021	102	4.40	22.6	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	47	9.97	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do 6pc 28 Stb. Ass	40 xd	3	7.50	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass	40 xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass	80	2.75	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	133	15.00	10.94	27.10	31May 30Nov	–
30	Ireland 14½pc Ln 2016	124¼ xd	14.50	11.55	19.1	31Jan 31Jul	–
30	Ireland 9¾pc '91–96	92½ xd	9.75	11.30	15.2	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
8,547.5	Abbott Laboratories$	37	$1.20	2.0	11.7	Fb My Ag No	1503
241.2	Allegheny & W 1c	470p	30c	4.0	–	–	–
1,990.8	Amax $1	15	80c	3.3	5.5	Mr Jn Se De	1581
350.9	Ambase Corp $1	8	20c	1.5	24.2	Ja Mr Jn De	2715
1,019.5	Amdahl 5c	971p	10c	0.7	31.1	Mr Jn Ag	–
3,046.8	Amer. Cyanamid $5	33	$1.35	2.6	27.2	Mr Je Se De	–

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,612.1	FPL Group 1c	19⅞xd	$2.28	7.3	23.11	MrJeSepDec	–
15,759.0	Ford Motor $1	29⅞	$3.00	6.3	27.4	Mar Jun S D	2615
835.4	GATX 62½c	44⅛	$2.00	2.8	12.6	Mar Jun S D	2662
30,721.9	Gen. Elect. 63c	33⅞	$1.64	3.1	7.6	Ja Ap Je Oc	2675
–	♦General Host Corp $1	486p	30c	3.9	13.12	–	–
2,978.0	Gillette $1	25⅛	96c	2.4	27.1	Mar Jun S D	2695
263.0	Gt Am First Svgs Bk $1	80½	60c	4.7	28.10	FbMyAgNv	–
823.3	Greyhound $1½	21¼	$1.32	3.9	30.5	Ja Ap Jy Oc	2778
640.4	Hasbro Inc 50c	12¼	16c	0.8	2.5	Ja No Ap My	–
2,306.4	Honeywell $1½	52⅝xd	$2.10	2.5	23.5	Mar Jun S D	2919
2,416.7	Houston Inds §	20¼	$2.96	9.2	10.11	Mr Jn Se De	–
42,316.1	IBM Corpn $1¼	70⅞xd	$4.84	4.3	5.5	Mar Jun S D	2986
1.17	♦Image Storage/R.Sys Ic	55p	–	–	–	–	2961
1,504.9	Ingersoll-Rand $2	26⅞xd	$1.20	2.9	16.5	Mar Jun S D	2979
1,959.9	Lockheed Crpn. $1	29⅞xd	$1.60	3.4	15.2	Mar Jun S D	–
318.6	Lone Star Inds $1	19⅛	$1.90	6.2	12.6	May Au N Mar	3216
711.6	Louisiana Land 15c	22⅞xd	$1.00	2.8	26.5	Mar Jun S D	3222
629.1	Lowe's 50c	15⅞xd	48c	1.9	11.7	Jan Ap Jly Oc	–
1,182.4	Manuf. Hanover $1	24⅝	$3.28	8.4	26.6	Jan Ap Jly Oc	3279
2,040.1	Merrill Lynch $1	19⅛	$1.00	3.3	31.10	Feb My Au N	3351
501.4	Molex Inc	1976p	3.2c	–	–	–	3397
4,288.3	Morgan (JP) $2½	29¼xd	$1.66	4.4	21.12	Jan Ap Jly O	3418
10,607.4	NYNEX $1	49½	$4.36	5.6	27.6	F May Au N	–
385.5	PHH Corp. §	23	$1.12	3.1	4.4	Ja Ap Jy Oct	–
–	♦Pacific Agr §	180p	–	–	–	–	–
1,756.8	Pacificorp $3¼	25¼	$2.76	6.6	29.4	Feb My Ag Nv	–
11,355.8	Pacific Telesis 10c	26½	$1.88	4.5	12.25	Fe My Au No	–
740.0	Pall Corp 25c	20	48c	1.5	24.1	Fe My Au No	–
2,080.4	Pennzoil 83 1/3c	50⅞xd	$3.00	3.7	25.5	Mar Jun S D	3630
819.4	Premark Intl	23¼	84c	2.2	17.3	Jan Ap Jl Oc	3710
3,136.8	Quaker Oats $5	39¼	$1.20	1.9	20.6	Jly Oc Jan Apr	3736
757.8	Rep NY Corpn $5	30⅞xd	$1.28	2.7	12.6	Jan Apr Jly O	3814
3,964.9	Rockwell Intl. $1	13⅞xd	78c	3.6	10.5	Mr Ja Se De	3647
9,941.7	Southwestern Bell $1	33¼	$2.60	5.0	5.7	Fb My Ag No	–
2,475.1	Sun Co. Inc. $1	23¼xd	$1.80	4.9	5.5	Mr Jn Se De	4135
1,706.4	TRW Inc. 62½c	28⅞xd	$1.72	3.8	9.5	Ma Jn Se De	4318
1,074.1	TW Services $5	20⅛	10c	0.3	11.11	Fe My Au No	–
5,052.5	Tenneco $5	34⅞xd	$3.04	5.6	23.5	Mr Jn Sp Dc	4194
7,907.4	Texaco $6.25	32⅛xd	♦$3.00	5.8	31.5	Mr Je Se De	4200
2,555.1	Texas Instr $1	25xd	72c	1.8	27.6	JAJO	5033
9,776.6	Time Inc $1	92⅛	$1.00	0.7	22.2	Mr Ju Se De	4234
557.4	TRINOVA Corp	16⅞xd	$64c	2.5	10.5	Mr Je Se De	4309
6,781.4	USX $1	21¼xd	$1.40	4.2	2.5	Mr Je Se De	4380
148.6	♦Unilab	160p	–	–	–	–	–
4,295.6	Utd. Technologies	32¼xd	$1.60	3.1	23.5	Mr Jn Sp Dc	4381
–	♦Utilitech Inc	131p	–	–	–	–	–
8,916.5	US West §	44½	$3.76	5.3	14.4	Fb My Ag No	–
7,499.4	Waste Management $1	33¼xd	48c	0.9	16.6	Ac Jly Oc Jan	4439
1,562.6	Whirlpool $1	19⅝	$1.10	3.5	28.2	Mr Jn Se De	–
2,487.3	Whitman Corp	22⅛	$1.02	2.9	6.6	Ap Jy Oc Ja	2951
2,212.5	♦Woolworth $3½	33⅛	$1.88	3.5	26.1	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♦ABM Gold Corp §	149p	–	–	–	–	–
–	♦Abbot Energy Corp	24p	–	–	–	–	–
921.6	♦Amer Barrick Res	16	–	–	–	–	–
–	♦Armeno	13p	–	–	–	–	–
–	♦Asiamerica Hldgs §	297p	–	–	–	–	–
–	♦Augmitto Expln	18p	–	–	–	–	–
1,767.4	Bk. Montreal §	17	$2.12	6.4	8.8	Fb My Ag Nv	–
1,991.5	Bk. Nova Scot §	905pxd	92c	5.2	30.6	Ja Ap Ju Oc	–
6,212.1	BCE §	21¼	$2.44	5.9	12.6	Ap Jy Oc Ja	–
307.7	♦Bow Valley §	743p	♦40c	2.8	15.12	May Nov.	–
1,060.6	♦Brascan §	15⅝	88c	2.9	28.10	Ja Ap Jy Oc	–
37.0	♦Breakwater Res.	165p	10c	3.1	–	–	–
2,465.0	Can. Imp Bank §	15¼	$1.24	4.0	29.6	Fe My Au No	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

هكذا من الاصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	Net	Cvr	Gr's	P/E	Dividends Paid	City Line
[illegible]							
12.2 Royal Sovereign 10p ... y	228	5.5	3.3	3.4		May Nov	2505
1.12 Scott Pickford 10p ... y	16	0.38	3.2	–		–	5062
10.00 Seacon Hldgs. ... y	144	2.5	2.3	3.4		Oct May	3968
4.14 Stats Hldgs. 5p ... y	9	–	–	–		–	4625
3.92 Swangard Studios 1p y	2¼	–	–	–		–	4666
1.06 Systems Connection 2½p y	8½	–	–	–		–	5152
10.2 Tavern Leis. 20p ... y	40	–	–	–		–	–
10.3 Tomorrows Leisure 20p y	92	–	–	–		–	4248
15.5 Tullow Oil 10p ... y	15½	–	–	24.2		–	4886
3.55 UPL Group 10p ... y	88	2.75	4.2	22.5		Dec. July	4362
7.39 Unit Group ... y	143xd	5.0	4.7	3.7		Jan Aug	4357
4.77 Vista Ents 5p ... y	9	–	–	–		–	3994
18.7 Vizcaya Hldgs 5p ... y	35	–	–	–		–	4193
55.9 Wildgate Leisure 20p y	38½	–	–	–		–	1105
1.64 Do. Wrrnts ... y	24½	–	–	–		–	1116
29.9 Wilton Group 1p ... y	8½	–	–	13.7		–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-
Albany Inv 20p ... y	97	......
Craig & Rose £1 ... y	810xd	......
Finlay Pkg. 5p ... y	86	–2
Holt (Jos) 25p ... y	1325	+5

IRISH

Stock	Price	+/-
Cap. 8½% Ln. 1991 ... y	£98½	......
9pc Cap Ln. 1996 ... y	£101	+1¼
Fin. 13% 97/02 ... y	£121½	......
Arnotts ... y	420	......
Carrol (P.J.) ... y	155	... ...
Hall (R. & H.) ... y	170	+5
Heiton Hldgs ... y	60	......
Irish Ropes ... y	203	......
United Drug ... y	135	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons ... y	30
Amstrad ... y	11
BAT ... y	45
BOC Grp ... y	42
BSR ... y	6½
BTR ... y	32
Barclays ... y	42
Beecham ... y	50
Blue Circle ... y	48
Boots ... y	25
Bowaters ... y	44
Brit Aerospace ... y	52
British Steel ... y	7½
Brit. Telecom ... y	21
Burton Ord ... y	18
Cadburys ... y	31
Charter Cons ... y	48
Comm Union ... y	32
Courtaulds ... y	30
FKI Babcock ... y	14
FNFC ... y	22
Gen Accident ... y	85
GEC ... y	20
Glaxo ... y	110
Grand Met ... y	48
GUS 'A' ... y	90
Guardian ... y	18
GKN ... y	34
Hanson ... y	16
Hawker Sidd ... y	60
ICI ... y	100
Jaguar ... y	28
Ladbroke ... y	28
Legal & Gen ... y	26
Lex Service ... y	33
Lloyds Bank ... y	29
Lucas Inds ... y	58
Marks & Spencer ... y	15
Midland Bk ... y	30
Morgan Grenfell ... y	24
Nat West Bk ... y	25
P & O Dfd ... y	55
Plessey ... y	22
Polly Peck ... y	26
Racal Elect ... y	48
RHM ... y	42
Rank Org Ord ... y	80
Reed Intnl ... y	34
STC ... y	32
Sears ... y	10
TI ... y	38
TSB ... y	10
Tesco ... y	14
Thorn EMI ... y	58
Trust Houses ... y	24
T&N ... y	18
Unilever ... y	46
Vickers ... y	18
Wellcome ... y	42

Property

Stock	p
Brit Land ... y	32
Land Securities ... y	52
MEPC ... y	50
Randsworth ... y	28

Oils

Stock	p
Brit Petroleum ... y	21
Burmah Oil ... y	50
Calor ... y	35
Charterhall ... y	2½
Premier ... y	9
Shell ... y	32
Ultramar ... y	26

Mines

Stock	p
Cons Gold ... y	100
Lonrho ... y	30
RTZ ... y	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Pound's outlook will hinge on inflation

THE RECENT batch of UK economic statistics are, on the face of it, better news for sterling. But the reaction of institutional investors remains cautious. Interest rate differentials at the moment indicate that by this time next year sterling is pencilled in as standing at DM2.89 against the D-Mark compared with Friday's close of DM3.0675. This is based on the 12-month forward rate on sterling against the D-Mark which shows a premium of around 17¼ pfennigs.

However, most analysts are not entirely convinced that the authorities will allow the pound to fall to that kind of level. But although the latest data on the UK economy are regarded as mildly encouraging, there is still little sign that investors are becoming optimistic, hence the reluctance to gamble on the interest rate premium over the potential exchange rate loss.

Sterling's forward value is a straightforward computation that takes into account the differences between interest rates offered on deposits in different countries. At the moment, UK interest rates are relatively high, not only as a means of bearing down on UK inflation, but also to attract foreign investment. The latter is possible so long as there is confidence in sterling. But unless UK inflation is reduced considerably, and it now looks as though the Treasury forecast of 5.5 per cent by the end of the year is optimistic, there is unlikely to be any easing in the tight monetary conditions currently imposed by the UK authorities.

Much of the interest in sterling's rate against the D-Mark has been generated by the continuing debate about the pound's entry into the exchange rate mechanism (erm) of the European Monetary System. There seems little immediate chance of the UK authorities allowing the pound to fall much below the DM3.00 level, but if at any time there were a tacit admission that joining the erm was likely in the next year, then sterling would be bid up to around DM3.19 in the knowledge that the potential exchange rate loss on a fall to DM3.00 would be covered by the interest rate premium based on the 12-month forward rate.

The possibility of a lower pound/D-Mark rate also raises the problems of imported inflation. If the price of raw materials starts to rise at a time of falling demand, there is a stark choice between a squeeze of profit margins (something that is already happening) or higher prices for the consumer. The choice comes at a time when bank lending to consumers for reasons other than house purchase showed a record rise of £2.1bn in the three-months to May.

Mr Roger Bootle, chief UK economist at Greenwell Montagu, points out that, in addition, lending by finance houses and others was higher in the three-month period to May than in the boom period last year.

This brings a number a worrying possibilities into play, says Mr Bootle. First, the effects of higher interest rates may be starting to wear off or, alternatively, the squeeze on disposable income has prompted a switch to increased personal borrowing rather than a reduction in living standards. Either way, the underlying picture is more gloomy than the UK statistics released last week indicate.

On this basis, talk of any early reduction in interest rates is premature, as indeed Mr. Nigel Lawson, the UK Chancellor, made clear in Paris last weekend. Furthermore, while the attractions of having a sterling/D-Mark rate of DM3.00 are a tempting way of stimulating exports, the penalties involved in the shape of higher inflationary pressures make the prospect of sterling at this level that much harder to see.

Jonas Crosland

£ IN NEW YORK

July 14	Close	Previous Close
£ Spot	1.6058-1.6068	1.6180-1.6190
1 month	0.65-0.63pm	0.66-0.64pm
3 months	1.90-1.85pm	1.96-1.93pm
12 months	6.90-6.70pm	7.25-7.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 14	Previous
8.30 am	91.9	91.6
9.00 am	91.9	91.7
10.00 am	91.9	91.7
11.00 am	92.0	91.8
Noon	92.0	91.7
1.00 pm	92.0	91.8
2.00 pm	92.0	91.8
3.00 pm	91.9	91.8
4.00 pm	92.0	91.8

CURRENCY RATES

July 14	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling §	-	1.27204	1.47938
U.S Dollar	7	1.27708	1.09573
Canadian $	12.39	1.52317	1.30567
Austrian Sch.	5	16.8536	14.5677
Belgian Franc	7.75	50.1319	43.3498
Danish Krone	7½	9.29523	8.04650
Deutsche Mark	5.00	2.39567	2.07060
Neth. Guilder	5.50	2.68875	2.33500
French Franc	9½	8.13295	7.03011
Italian Lira	13½	1759.42	1502.69
Japanese Yen	4¼	177.770	153.041
Norway Krone	8	8.52074	7.61095
Spanish Peseta	-	152.121	138.118
Swedish Krona	8½	8.20205	7.07404
Swiss Franc	5.5	2.09376	1.78766
Greek Drach.	20½	207.181	179.042
Irish Punt	-	0.896322	0.774477

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for July 13

CURRENCY MOVEMENTS

July 14	Bank of England Index	Morgan* Guaranty Changes %
Sterling	92.0	-19.3
U.S. Dollar	70.1	-8.1
Canadian Dollar	103.4	-8.2
Austrian Schilling	106.9	+9.9
Belgian Franc	105.3	-3.7
Danish Kroner	103.8	-0.9
Deutsche Mark	113.3	+20.9
Swiss Franc	107.4	-17.1
Guilder	110.6	+13.7
French Franc	99.5	-15.2
Lira	98.9	-18.9
Yen	140.2	+71.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for July 13.

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

July 14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.612	3.068	226.5	10.41	2.653	3.458	2226	1.925	64.05
$	0.620	1	1.903	140.5	6.458	1.646	2.145	1381	1.194	39.73
DM	0.326	0.525	1	73.83	3.393	0.865	1.127	725.6	0.627	20.88
YEN	4.415	7.117	13.55	1000.	45.96	11.71	15.27	9828	8.499	282.8
F Fr.	0.961	1.549	2.947	217.6	10.	2.549	3.322	2138	1.849	61.53
S Fr.	0.377	0.608	1.156	85.38	3.924	1	1.303	839.1	0.726	24.14
H Fl.	0.289	0.466	0.887	65.50	3.010	0.767	1	643.7	0.557	18.52
Lira	0.449	0.724	1.378	101.8	4.677	1.192	1.553	1000.	0.865	28.77
C $	0.519	0.837	1.594	117.7	5.408	1.378	1.796	1156	1	33.27
B Fr.	1.561	2.517	4.790	353.6	16.25	4.142	5.399	3475	3.005	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100.

MONEY MARKETS

A little too soon for any real optimism

UK INTEREST rates may well rise this week from lows touched last Friday as many traders believe that the positive reaction to recent UK data may have been a little overdone. Three-month sterling deposits for September delivery in the London futures market closed on Friday discounting a half point cut in bank base rates.

The market had reacted to a set of better than expected figures on inflation and industrial production, rather than to a set of figures which, in terms of international competitiveness, are still pretty poor.

UK clearing bank base lending rate
14 per cent
from May 24

Cash rates slipped $\frac{1}{16}$ of a point on the week in the important three-month interbank period to $13\frac{11}{16}$-$13\frac{11}{16}$ per cent. Furthermore, the shape of the yield structure on money out to one year has taken a distinctive turn to a reverse curve. While this time last week one-month and one year money were almost the same, the longer period finished on Friday some ¾ of a point lower.

Longer term assessments are also influenced by the trend in rates elsewhere. US economic statistics released last week led the market to believe that the US Federal Reserve now has a greater degree of flexibility on whether or not to reduce interest rates. One thing appears clear; whatever decision the Fed takes is unlikely to be taken quickly, because of the fear of getting it wrong on the inflation front.

Mr Christopher Tinker of Phillips and Drew suggests that the dollar's path is now likely to be influenced by the re-emergence of interest rate differentials as a driving market force. The spread in favour of the dollar has narrowed over the past three months and dollar bulls are likely to face a hard time. This gives some potential relief on external pressures on UK rates.

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY JULY 14 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY JULY 13 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (86)	135.06	-6.5	124.22	118.53	+5.3	5.03	135.26	123.47	118.92	157.12	128.28	145.31
Austria (19)	124.57	+29.8	114.57	122.59	+38.3	1.98	125.47	114.56	122.65	127.70	92.84	84.98
Belgium (63)	131.94	-2.3	121.35	129.50	+4.1	4.22	133.20	121.60	129.99	137.10	125.58	112.98
Canada (124)	144.53	+15.1	132.93	124.75	+15.0	3.22	144.13	131.58	124.51	144.53	124.67	127.31
Denmark (38)	215.11	+26.2	197.84	216.06	+35.9	1.46	218.21	199.21	216.88	219.89	166.35	124.42
Finland (26)	142.26	+8.7	130.84	127.50	+11.5	1.64	145.42	132.76	129.28	156.16	125.81	126.33
France (128)	124.44	+8.2	114.46	126.06	+15.3	3.01	125.86	114.90	126.06	125.95	112.57	92.23
West Germany (100)	93.75	+6.6	86.23	92.75	+14.3	2.19	94.09	85.90	92.06	95.32	79.56	75.54
Hong Kong (48)	104.38	-6.7	95.98	104.57	-6.7	5.12	103.91	94.86	104.11	140.33	86.41	111.08
Ireland (17)	143.26	+8.7	131.76	143.47	+18.2	2.94	143.11	130.65	141.61	151.38	125.00	128.43
Italy (97)	91.08	+7.0	83.77	93.94	+18.2	2.37	91.46	83.50	93.31	91.46	74.97	69.04
Japan (455)	179.95	-6.0	165.51	159.76	+5.6	0.50	181.58	165.76	160.00	200.11	164.22	160.59
Malaysia (36)	189.80	+32.3	174.57	198.24	+31.1	2.44	189.30	172.82	195.50	189.80	143.35	150.83
Mexico (13)	265.39	+64.0	244.09	727.59	+79.8	0.69	267.37	244.09	732.73	277.40	153.32	160.47
Netherland (43)	123.94	+10.3	113.99	121.33	+18.1	4.26	124.16	113.35	120.19	124.16	110.63	102.94
New Zealand (22)	66.20	-2.1	60.89	61.57	+8.1	6.05	66.21	60.44	61.89	76.02	62.64	77.98
Norway (25)	193.40	+36.2	177.87	182.97	+47.8	1.40	194.39	177.46	182.55	198.39	139.92	118.42
Singapore (26)	169.33	+35.4	155.74	152.67	+36.2	1.82	166.61	152.10	149.99	169.33	124.57	128.35
South Africa (60)	152.42	+30.4	140.18	131.17	+33.5	4.08	153.27	139.92	131.65	153.27	115.35	125.90
Spain (43)	151.56	+2.1	139.39	137.15	+7.7	3.74	153.46	140.10	137.13	156.17	143.14	147.26
Sweden (35)	176.81	+22.3	162.61	169.61	+29.4	2.03	177.49	162.03	169.28	177.49	138.45	115.94
Switzerland (57)	84.39	+8.0	77.62	85.96	+18.2	2.23	85.53	78.08	85.84	86.06	67.81	78.59
United Kingdom (312)	151.35	+11.9	139.20	139.20	+25.5	4.22	151.43	138.25	138.25	153.33	133.28	128.13
USA (555)	135.15	+19.4	124.30	135.15	+19.4	3.33	134.51	122.79	134.51	135.15	112.13	110.94
Europe (1001)	125.61	+9.5	115.52	120.31	+19.7	3.43	126.17	115.18	119.69	126.24	112.63	103.76
Nordic (122)	172.64	+23.6	158.78	161.67	+31.2	1.72	174.29	159.11	161.93	174.42	137.96	111.32
Pacific Basin (674)	175.40	-5.9	161.32	156.10	+5.5	0.73	176.88	161.47	156.31	194.72	160.44	157.95
Euro - Pacific (1675)	155.59	-1.3	143.10	141.72	+9.7	1.62	156.70	143.05	141.60	164.32	141.56	136.29
North America (679)	135.62	+19.1	124.73	134.52	+19.1	3.32	134.99	123.23	133.90	135.62	112.79	111.81
Europe Ex. UK (689)	109.39	+7.7	100.61	108.66	+15.1	2.81	110.21	100.61	108.24	110.42	96.30	87.98
Pacific Ex. Japan (219)	120.84	-3.0	111.14	110.34	+3.4	4.74	120.81	110.29	110.25	137.65	111.93	128.19
World Ex. US (1872)	155.24	-0.6	142.78	141.26	+10.1	1.69	156.30	142.69	141.15	162.77	141.49	135.91
World Ex. UK (2115)	146.62	+4.7	134.85	139.16	+11.6	2.03	147.10	134.29	138.93	147.10	128.98	125.92
World Ex. So. Af. (2367)	147.00	+5.2	135.20	139.20	+12.8	2.22	147.44	134.60	138.96	147.44	128.57	126.19
World Ex. Japan (1972)	131.55	+14.7	120.99	128.71	+18.7	3.42	131.40	119.95	128.12	131.55	114.51	109.72
The World Index (2427)	147.03	+5.3	135.23	139.14	+12.9	2.23	147.47	134.63	138.85	147.47	128.68	126.19

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.84 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987
French market closed July 14.
CONSTITUENT CHANGES: Deletions:De Danske Sukkerfabrikker, De Danske Spritfabrikker (both Denmark)(12/7/89) and Vesta Gruppen (Norway)(13/7/89).
Name Change: Duquesne Light to DQE (US) (12/7/89).

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 66,980
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

JOTTER PAD

CROSSWORD

No.6,987 Set by DANTE

ACROSS
1 Trim the Christmas tree (6)
4 Applaud a catch? Nonsense! (8)
9 King for half a year and one short day (6)
10 Exclusive command of the game (8)
12 Obtains help, but it is disputed (8)
13 Be back in time for the discussion (6)
15 Sound rule for bad weather (4)
16 Classification of chocolates? (10)
19 Corner at 90 (5,5)
20 Has new aspiration to become a ruler (4)
23 One way to travel is to walk (6)
25 Cheeky chappie at university (8)
27 It's not right having more surplus (4,4)
28 More unfortunate choice in the marriage ceremony (6)
29 Nevertheless, netting first and last service (8)
30 Dolt is exceptionally unmoved (6)

DOWN
1 Rock and roll (7)
2 Keeping it in range, perhaps (8)
3 This form of cure is sometimes recommended by doctors (5)
5 Circle-line convenience takes a penny (4)
6 Quality land (5)
7 Spanish wine jar I smashed when empty (5)
8 An empty new settlement (7)
11 There's a tonic in eggs scrambled around midmorning (7)
14 Post on ship or shore for sailors (7)
17 Describing insects with wings of short span (9)
18 Scanning the books for money owing on the horses (8)
19 Settle the will (7)
21 One needs a couple of rings to get this number (7)
22 Company car (6)
24 Rob with a gun (5)
26 A study about some fellow at college (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 29.

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / ITALY / NETHERLANDS / SWEDEN / SWITZERLAND / NORWAY / SPAIN / SOUTH AFRICA / JAPAN / AUSTRALIA / HONG KONG / SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices July 14

[illegible]

Total Sales 0,310,007 shares.

MONTREAL
Closing prices July 14

[illegible]

INDICES

NEW YORK DOW JONES

	July 14	July 13	July 12	July 11	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2554.82	2538.32	2532.63	2514.61	82 (14/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.02	92.91	(u)	92.67	93.02 (14/7)	87.35 (23/3)	–	–
Transport	1210.54	1194.78	1196.31	1203.43	1210.54 (10/7)	959.95 (3/1)	1210.54 (14/7/89)	12.32 (8/7/32)
Utilities	216.86	215.61	215.73	215.75	216.86 (14/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2563.16 (2553.30) Low 2512.52 (2517.83)

STANDARD AND POOR'S	July 14	July 13	July 12	July 11	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	331.84	329.95	329.81	328.78	331.84 (14/7)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	378.70	376.50	376.24	374.77	378.70 (14/7)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.81	31.64	31.68	31.65	31.81 (14/7)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	185.06	184.31	184.15	183.62	185.06 (14/7)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	368.12	367.64	367.18	366.03	368.12 (14/7)	305.24 (3/1)	367.18 (12/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	448.90	447.89	446.81	444.50	453.65 (9/6)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	July 7	Jun 30	Jun 23	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.70	3.57	3.55

	July 12	July 5	June 28	year ago (approx.)
S & P Industrial div. yield	2.98	3.06	3.00	3.03
S & P Indl. P/E ratio	13.81	13.47	13.72	14.42

TRADING ACTIVITY †Volume

Millions	July 14	July 13	July 12
New York	183.480	153.800	161.462
Amex	11.164	12.628	12.388
OTC	128.852	130.110	147.263

NEW YORK	July 14	July 13	July 12
Issues Traded	1,977	1,977	1,961
Rises	810	789	832
Falls	639	661	603
Unchanged	528	527	526
New Highs	147	137	121
New Lows	10	17	13

CANADA

TORONTO	July 14	July 13	July 12	July 11	1989 High	1989 Low
Metals & Minerals	3371.9	3350.0	3302.6	3279.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3849.3	3842.5	3837.5	3816.8	3849.3 (14/7)	3350.5 (6/1)
MONTREAL Portfolio	1947.86	1939.29	1935.24	1925.78	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comms	7,471,000	64⅞	+ 2½	Gen Motors	2,171,300	43½	+ 1½
Am Medical	4,822,700	25½	− ⅜	Exxon	2,103,800	45⅝	+ ⅜
Centerior Energy	3,000,700	18⅞	− ⅛	Union Carbide	1,946,900	28	+ ⅛
AT&T	2,187,100	36⅝	+ ⅛	Paramount	1,881,800	57½	− ⅜
Time	2,179,800	144½	− 5½	Gen Electric	1,754,300	54⅝	+ ⅛

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 14	July 13	July 12	July 11	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1558.1	1556.7	1560.6	1553.6	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	718.2	717.6	724.2	719.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	349.47	350.36	349.41	351.06	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6074.91	6079.53†	6099.84†	6097.25†	6158.43† (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	352.91	354.22	356.65	351.58	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	785.7	785.0	777.4	769.6	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	(c)	487.2	487.9	481.97	491.0 (26/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	(c)	115.3	114.9	114.5	115.3 (13/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	630.17	625.81	625.15	622.31	630.17 (14/7)	535.78 (27/2)
Commerzbank (1/12/53)	1870.9	1861.8	1860.1	1850.7	1870.9 (14/7)	1595.7 (27/2)
DAX (30/12/87)	1530.46	1516.54	1503.93	1508.49	1530.46 (14/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2516.11	2498.21	2477.52	2485.85	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	677.16	673.47	666.32	664.16	677.16 (14/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33574.77	33631.16	33702.52	33746.7	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2509.38	2513.97	2516.10	2518.33	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tl. Rtn. Gen. (End 1983)	252.9	250.6	249.2	250.0	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	196.8	195.1	194.0	194.6	197.4 (28/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	668.90	664.91	665.22	658.44	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1363.50	(c)	1353.73	1346.17	1363.50 (14/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1586.0‡	1585.0	1596.0	1616.0	1639.0 (23/5)	1291.0 (15/2)
JSE Industrial (28/9/78)	2661.0‡	2665.0	2671.0	2646.0	2671.0 (12/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	304.07	303.96	303.93	303.35	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4378.8	4391.1	4385.1	4327.6	4391.1 (13/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	750.0	751.2	747.5	759.5 (5/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	522.7	520.8	519.2	522.7 (13/7)	487.6 (13/6)

‡ Subject to official recalculation.
† Corrected indices.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday July 14 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.96m	881	-2	Jpn Sec.Finance	4.23m	2,200	+200
MHI	8.39m	1,240	-10	Toshiba	4.12m	1,380	+20
KHI	8.47m	1,190	-20	Nippon Shinpan	3.58m	1,540	-10
Sumitomo Metal	6.83m	820	-7	Fujitsu	3.42m	1,630	-10
Kurosawa Fitrir	5.82m	1,170	-20	Kawasaki Steel	3.37m	935	-11

AMEX COMPOSITE PRICES

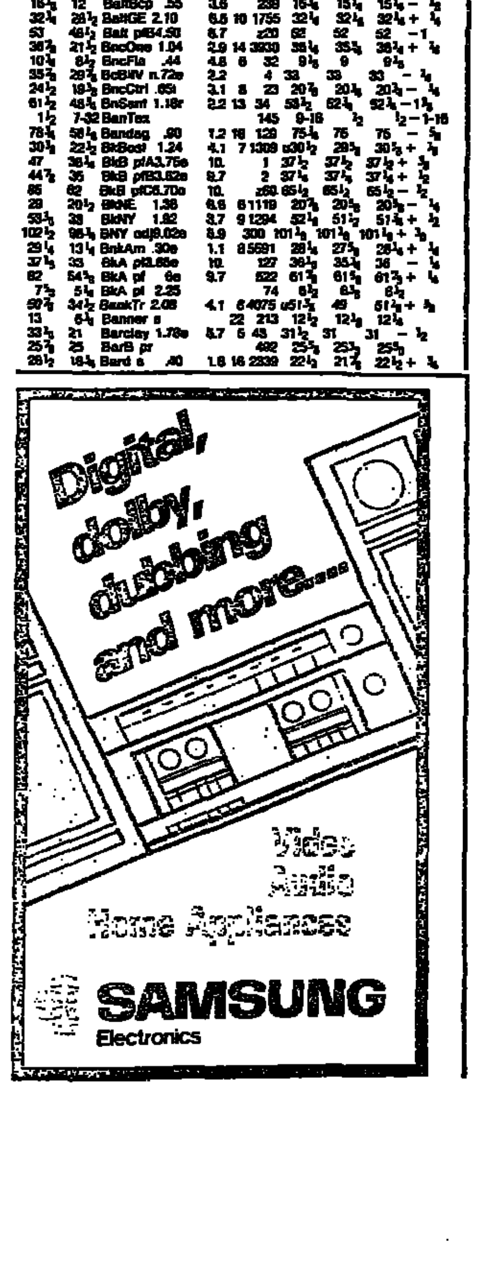
4pm prices *July 14*

[illegible]

4pm prices July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅛	21¾	AAR	.44	1.4	21	979	32	31⅝	31¾	
10⅛	8⅝	ACM n	1.01	11.		152	9⅞	9¾	9⅞	
11¾	10⅛	ACMIn	1.26a	11.		632	11½	11¼	11⅜	+ ⅛
10⅛	8½	ACM M	n1.01	11.		229	9⅝	9¼	9⅝	
11½	10	ACM Se	1.26	11.		1387	11½	11¼	11⅜	
9⅝	8⅝	ACMSp	1.01	11.		502	9¼	9⅛	9⅛	
17¼	10⅞	AL Lab	.12	.7	18	8	16¾	16½	16½	– ⅛
6⅜	4½	AM Intl				953	5⅜	5¼	5⅜	
23½	20½	AM In pf	2	9.2		56	21¾	21⅝	21¾	+ ⅛
68½	40⅞	AMR			8	6980	64⅝	60⅞	64⅝	+2¾
27	25	ANR pf	2.67	10.		2	25⅞	25⅞	25⅞	
8⅞	3⅝	ARX				315	4⅝	4½	4½	
43½	35¼	ASA	3a	7.1		471	42½	42	42¼	– ⅜
22⅝	15¼	AVX	.24	1.2	9	252	19½	19¼	19½	+ ⅛
61⅛	43½	AbtLab	1.40	2.3	17	4110	u61⅝	60⅝	61½	+ ½
18¼	14	Abitibi g	1			504	14½	14¼	14½	+ ⅛
13	7½	AcmeC	.40	3.4		59	11⅞	11¾	11⅞	+ ⅛
8	5⅞	AcmeE	.32	3.8	19	73	u 8⅜	7⅞	8⅜	+ ⅜
34⅜	20¼	Acuson			25	125	31⅞	31⅛	31½	– ⅛
16⅞	14¼	AdaEx	1.83e	12.		266	15⅞	15¾	15¾	– ⅛
15¼	7⅛	AMD				4374	9½	9¼	9⅜	– ⅛
43⅛	28¾	AMD pf	3	9.5		704	31½	31⅜	31½	– ½
11⅞	6½	Adobe				100	11⅛	10⅞	11	– ⅛
19⅜	15½	Adob pf	1.84	9.7		11	19	19	19	– ⅛
21⅜	19⅞	Adob pf	2.40	11.		109	21⅜	21⅛	21⅛	– ⅛
9⅜	6⅛	Advest	.12	1.7	17	160	7⅛	6⅞	7	– ⅛
58⅞	43½	AetnLf	2.76	4.7	9	1917	58¾	58⅝	58¾	+ ⅞
14	12⅝	AflPb				1630	13	12⅝	12⅞	– ⅛
23⅛	14⅛	Ahmans	.88	3.9	10	3266	22⅝	22¼	22½	
4⅝	2¼	Aileen				12	2⅞	2⅝	2⅞	
51⅛	37¾	AirPrd	1.32	3.1	10	2775	42¼	41⅝	42	
29¼	15½	AirbFrt	.60	2.1	27	142	u29½	29⅛	29¼	+ ⅛
24½	13⅛	Airgas			13	158	21⅝	21⅜	21½	+ ⅛
20½	17⅞	Airlease	2.40	12.	9	21	20¼	20⅛	20¼	+ ⅛
26	21½	AlaP	pf2.13e	9.6		50	22⅛	22	22⅛	
10	8½	AlaP	dpf.87	8.8		204	9⅞	9¾	9⅞	+ ⅛
96¾	86¼	AlaP pf	9	9.5		z480	94¾	94	94¾	+ ⅞
99¾	92½	AlaP pf	9.44	9.7		z209	97	97	97	–1
30	17⅜	AlskAir	.20	.7	10	360	28½	27⅞	28½	+ ⅞
22⅛	14⅜	Albnyln	.30	1.5	13	38	20⅜	20⅛	20¼	
47⅝	30½	Alberto	.38	.8	21	120	44	43	44	
37⅞	23	AlbCulA	.38	1.0	17	76	36⅜	35	35¼	– ⅛
50¼	30	Albtsn	.80	1.6	19	914	50¼	49¼	50	
24	18¼	Alcan s	1.12	5.0	5	14881	23	22⅛	22½	– ⅛
33⅛	23	AlcoStd	.76	2.3	13	609	32⅞	32	32½	– ⅛
28⅛	21⅝	AlexAlx	1	3.7	17	683	26¾	26¼	26¾	+ ⅜
77	50¼	Alexdr			29	31	62¾	62⅛	62¼	– ⅝
97	69½	AllegCp	1.63t	1.7	13	12	96½	96	96	– ⅛
3⅜	1	vjAlgInt				71	1⅛	1⅛	1⅛	
23⅜	4	vjAll pfC				23	5⅜	5⅛	5⅛	– ⅛
41⅞	24¾	AlgLud	1a	3.0	6	180	33⅛	32⅞	33	+ ⅛
39	35⅝	AlgPw	3.08	7.9	10	1457	u39⅛	38⅞	39	
16⅞	10⅞	AllenG			13	111	12	11⅞	12	
25¼	20⅞	Allrgn wi				3819	24¼	23⅞	24	+ ⅛
13¼	8⅝	AlnCap	n1.46	11.	21	62	12⅞	12⅝	12⅞	
27⅝	13¾	AlldPd			14	134	19½	19	19	– ½
36⅞	31⅝	AldSgnl	1.80	5.2	11	3034	34⅝	33⅞	34½	+ ⅝
10⅞	9⅝	AlstMu	.78a	7.3		228	10⅞	10⅝	10¾	
10⅛	9⅛	AlsMlt	.73	7.3		491	10	9⅞	10	
11⅛	9¼	AlsMO n	.84	7.8		212	11	10⅞	10⅞	– ⅛
10½	10	AMOll n				99	10½	10⅛	10½	
10	9	AlsMP n	.69	7.3		331	9⅝	9½	9½	– ⅛
49⅜	32⅛	ALTEL	n1.72	3.5	16	250	49⅞	49⅛	49½	– ⅛
33⅜	21½	ALTL wi				36	u33⅞	33⅛	33½	– ⅛
69¼	47½	Alcoa	1.60a	2.3	6	9531	69½	67¾	69⅛	+1½
19	10⅜	AmaxG	.08	.6	20	177	13½	13⅛	13¼	– ⅛
27¼	19⅜	Amax	.80	3.2	3	3854	25⅝	24⅞	25⅛	+ ⅛
14⅜	10½	AmBes	.20	1.4	5	690	13⅞	13⅛	13⅞	
14⅜	11⅛	Amcast	.48	3.8	11	603	12⅛	12	12⅛	
15⅝	9⅝	Amdura			3	59	13½	13⅛	13½	+ ⅛
27¼	20¼	Amdur	pf1.95	7.8		22	24⅞	24½	24⅞	+ ⅜
41⅞	25⅞	AmHes	.60	1.5	12	2637	40⅞	39⅞	40½	– ½
26⅝	14⅜	ABarck	.15			603	26⅛	25⅞	26⅛	
73¼	44¼	AmBrnd	2.44	3.4	11	3387	71¾	70⅞	71⅜	+ ⅛
30⅝	26⅜	ABrd	pf2.75	9.4		2	29⅛	29⅛	29⅛	– ⅛
39⅜	24½	ABldM	.92	2.7	17	37	34⅝	34⅜	34½	– ⅜
28	18½	ABusP s			13	24	25	24½	24½	– ⅝
22⅛	19⅛	ACapBd	2.20e	10.		58	21½	21⅛	21⅛	– ⅛
24	19¼	ACapCv	2.85e	13.		10	21⅞	21⅞	21⅞	+ ⅛
10⅛	8⅛	ACapIn	1.10a	12.		160	9⅜	9⅛	9⅛	
11⅜	8¼	ACMR	.60	6.5	10	5	9¼	9⅛	9¼	
19-32	⅛	vjACentl				394	⅜	5-16	5-16	–1-16
57	44	ACyan	1.35	2.5	15	2063	54¼	53⅛	54⅛	+ ⅛
28⅞	25⅛	AEIPw	2.32a	8.0	9	2260	u29	28⅝	28⅞	
35⅜	25⅞	AmExp	.84	2.4	14	9582	35	34¼	35	+ ⅛
19⅛	11½	AFamly	.28	1.8	11	1666	15⅝	15⅜	15½	– ⅛
38	29¼	AGnCp	1.50	4.0	11	3839	37¼	36⅝	37¼	
8⅛	7⅜	AmGvl	.84a	11.		320	8⅛	8	8	– ⅛
10⅛	8⅞	AGIP	n1.06a	11.		261	10	9⅞	9⅞	
10¼	9¼	AGTT	n.43a	4.3		69	10⅛	10	10	



Continued on Page 37

صكنا من الاصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
22	14¾	Zero	.44	2.1	17	129	21½	21¼	21⅜	
41	21	Zurn	.88	1.7	21	884	40⅞	39	40¾	+ ½
11⅜	10	Zweig	1.09e	9.5		315	11⅝	10⅝	11½	− ⅛
10⅛	8¾	Zweig n	.95	9.8		1198	9¾	9½	9¾	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices July 14

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

The Business Column

Parental lessons of the bid for BAT

It is tempting to scoff when the bidders for BAT say their aim is to return the company to what it does best.

The assembling of a conglomerate by one set of executives, *followed by* its "unbundling" by another, resembles the child's game of building a pyramid of blocks and knocking it down – except that the child eventually grows out of it.

Nevertheless, fatalistically accepting that nobody is safe from a group of financiers with £13bn and a plausible story is not the best response. The way in which diversified groups handle their subsidiaries can have an influence on market perceptions and on whether potential predators believe the sum of the parts is greater than the whole.

Michael Goold and Andrew Campbell of the Ashridge Strategic Management Centre have examined the "parenting styles" of large UK companies and divided them into three categories.

Financial control companies, like Hanson, BTR and GEC, do not involve themselves in drawing up detailed strategic plans for their subsidiaries. Instead, managers in the different businesses are given testing financial targets. The disadvantages of financial control have been well-rehearsed. Critics allege that it encourages an unhealthy focus on short-term goals.

The advantage of imposing strict financial controls is that if the subsidiaries turn in a healthy performance, the value added by head office is there for all to see. Hanson squeezes the maximum out of its subsidiaries by leaving them permanently on the auction block. "All of our businesses are for sale all of the time," one of its senior managers said. "If we think we can get more for them than they are worth to us, we will sell."

Sharing make or break decisions

Strategic planning companies, like BP, Cadbury Schweppes, United Biscuits and STC, do involve themselves closely in the formulation of their business units' strategies. "Down at the business level there are two or three business decisions each decade that make or break a business," an executive of one of these companies said. "Do you really want to leave the business manager alone to make these?"

Strategic planning works best when corporate head office has a detailed understanding of the businesses in which the group operates. Strategic planning companies are not bid-proof, of course. Both United Biscuits and Cadbury Schweppes are potential targets. But a predator intent on breaking up such companies needs to look at the contribution of the centre. It is possible that, without head office's guiding hand, the businesses will be worth less separately than together.

Strategic control companies, the third group, are those which do not fit into the other two categories. Head office might give the subsidiaries advice on their strategies, but they are not dictatorial about it. Generally, as long as their businesses are doing well, the centre lets them get on with it. Sir Christopher Hogg, chairman of *Courtaulds*, a strategic control group, described the corporate centre as "a detached but sympathetic and knowledgeable 100 per cent shareholder."

Goold and Campbell also put *ICI, Vickers, Imperial and* Plessey into this last group. BAT was not one of the companies they looked at but they have no doubt it belongs here too.

Of the strategic control companies, Imperial has already been snapped up by Hanson. Plessey is under siege from GEC and Siemens. Not all companies in this category are vulnerable, but it is easy to see how more of them might be.

There are advantages to having a detached and sympathetic 100 per cent shareholder. It gives subsidiaries some breathing space and enables them to plan for the future. At least it did, until Sir James Goldsmith returned to the fray. Strategic control companies need to think hardest about what it is that they add to their businesses, before someone else comes along and answers the question for them.

Michael Skapinker

THE MONDAY INTERVIEW

European in the court of a US computer group

Alan Cane talks to Kaspar Cassani, who reached a higher rank at IBM than any other European

'I think I have a challenging style . . . I think I challenge people'

Kaspar "Kap" Cassani came as close as any non-American could realistically hope to leading International Business Machines, the world's largest computer manufacturer and fifth largest corporation.

He has just retired after 38 years with the company, having achieved the position of joint vice-chairman of the board of directors. That role, in IBM's complex management structure, is second only to the chairman, John Akers. It followed a string of posts including that of chairman and president of IBM World Trade Corporation.

No other European – Mr Cassani is Swiss – has ever reached such a senior position in IBM. Although the company operates in almost every country in the world, and insists that the "country managers" who head its local operations are natives, all the real power still resides with Americans. *The present head of* IBM Europe, David McKinney, is a US citizen, as was Michael Armstrong, his predecessor.

So opportunities for successful non-American executives to rise to the dizzy heights of Armonk, *IBM's world head*quarters in New York state, are few. Jacques Maisonrouge, the Frenchman who preceded Mr Cassani as chairman of World Trade, got as far as election to the main board and he impressed himself sufficiently to write a book about it, Inside IBM, published in 1985.

Expect no such flamboyancies from Mr Cassani, a modest man whose quiet imperturbability cannot quite hold in check an impish sense of humour unusual in IBM's upper echelon. But he has also a somewhat Germanic turn of mind, careful and painstaking, that must have found kindred *spirits in the upper echelons of* IBM's management structure. Germany, IBM's most important European market, is also widely held to be the country where the company's corporate culture is most at home in Europe.

There is also an edge to his urbanity which testifies to his reputation as a tough manager: "There are macho types," he observes, "who say 'I did this' and 'I did that.' That is not my strength. In a large corporation like this, you have to be able to achieve things with others and through others."

Perhaps the best measure of his success is the fact that he is one of only two senior IBM managers – the other is Nicholas Katzenbach, the former US Attorney General – to have been asked to work past the so-called "turnover agreement" which since 1970 has ensured that IBM's top 50 or so managers retire at the age of 60.

PERSONAL FILE

1928 Born Walenstadt, Switzerland

1951 *Joined IBM Switzerland*

1967 Director of marketing, IBM Europe, based in Paris

1981 *Chairman IBM World Trade for Europe, Middle East and Africa*

1988 Vice chairman of IBM board

1989 Retired from IBM but appointed to advisory board

The explanation seems to be that Mr Cassani has served as a point of reference for IBM senior management at a time when the computer industry and the corporation is going through unprecedented change, proving an invaluable repository of history, experience and advice.

"He has a memory like a bloody elephant," a colleague said affectionately. "He can go back 15 years to when he was running a division and give you chapter and verse on why a particular decision was taken."

While head of World Trade, Mr Cassani introduced in Europe a policy of decentralised decision-making which gave much greater autonomy to individual country managers. The approach helped IBM to stem the erosion of its European market share, in the face of a revitalised European computer industry. And Europe now accounts for 43 per cent of IBM's total profits.

IBM took the lesson to heart; it has implemented similar decentralised decision-making across the company as it seeks to establish a closer, more co-operative relationship with its customers. Mr Akers has described the changes as the biggest at IBM in three decades. In essence, the idea was to shift much of the routine decision-making from the central management committee, a group of 15 or 16 managers who took all the important decisions, to a new company IBM (US) and to the six principal product and marketing groups.

Mr Cassani says he enjoyed his part in introducing the *changes. "It was John Akers's* organisation, but I think I played an important part in that." Today, the management committee remains the pivot around which the business turns. It meets formally once *or twice a week, but since the* establishment of the US arm of IBM as a separate profit centre under Terry Lautenbach, much of the routine decision-making has been swept away.

Decision-making within IBM is a complex affair of consensus and committees, often compared with the way Japanese companies arrive at corporate conclusions.

So it is something of a surprise to find that at the very top, decisions are taken by the chairman alone. There is no vote, no enumeration of who is for and who is against. John Akers hears all the evidence and makes up his own mind. *What if Mr Cassani strongly* disagreed with him? "I'd tell him – before the meeting.

"He says what he thinks is right. There are no fights in the management committee, but there are different points of view that come from the members' different backgrounds and responsibilities and these opinions are discussed.

"The members do not line up their troops to go into battle. Akers is a very sensitive executive. He has a strong mind and he knows what he wants but he listens very carefully and respects other people's opinions. In our business, very often somebody who is at a *lower level than you knows* more about the subject than you possibly could. If you do not listen to people like that, you are done for."

Mr Cassani joined IBM Switzerland as a marketing trainee in 1951 immediately following college and military service. He was not a university graduate, and jokes that he would not be employed by IBM today. He predated the computer era. The corporation's principal products were mechanical tabulators at the time and he did not touch an electronic computer until 1955.

He became European director of marketing in 1967 and in 1970 was assigned to IBM's World Trade headquarters in the US where he had his first experience of general management as director of all IBM's product lines. "All of a sudden I had overall responsibility for all the factors essential to the success of products – manufacturing, maintenance and development."

He thinks there is powerful value in changing career direction: "You have constantly to update your entire management and staff. This is a char*acteristic of the fast pace* of this industry. There are people in IBM, even in manufacturing, who have fundamentally changed profession twice or three times through their working lives. IBM spends a lot *of money on providing educa*tion for this. It is an essential precondition for success in business."

He believes strongly in the value of working outside one's native country. There are arguments that IBM's policy of moving executives every few years – which led to the old jibe that IBM stands for "I've been moved" – does more harm than good, but he disagrees. "More than 3,000 people in IBM at any one point in time are working outside their home country. The reasons are management development – a country general manager must have been abroad – and transfer of technology between plants and laboratories. There is a lot of cross-fertilisation."

He points out that where it is necessary to move a product or process from a development laboratory to a manufacturing plant, say, in Europe, the IBM way will be to despatch it in the care of a small group of critical people.

Education and training are among Cassani's prime concerns. As a European, he worries that the US is far ahead of the rest of the world in the use *of computers in education*, although he believes Europe is catching up fast. He is to be chairman of a new Swiss business school formed through the merger of the Geneva-based IMI and Lausanne-based Imede which will become fully operational on January 1 next year.

He is enthusiastic about the quality of IBM's graduate intake but points out the company can be very selective: "The ratio of people we hire to those who want jobs with us is about *1:1,000*."

To a large extent, it seems, they are also self-selecting: "Many have been working for us part-time during their studies so there is no culture shock coming out of university life and into industry. They can be productively applied very quickly."

But they have to be mentally tough. The IBM way is to present ideas in person rather than through memoranda or dossiers. Notes will be taken of decisions but the arguments are presented vocally: "That is how you see whether the idea is sound or whether there are weaknesses," he says. "That is *how you get the best out of* your people. I think I have a challenging style. I think I challenge people. They know they have to stand up to critical questions."

Jack Koehler, a native North American who was *Mr Cas*sani's co-vice chairman last year has just been appointed IBM president. It may be a long time before another European asks the challenging questions at the very heart of America's computer champion.

The lengthening arm of the law

JUSTINIAN

There seems to be no limit to the expansiveness of the High Court's reach into the realm of public administration. Any activity that involves a direct public interest is being swept up in the enveloping cloak of judicial review.

Two years ago the Panel on Takeovers and Mergers came under judicial control, although the court then indicated that its power to intervene in any decision by the panel would be sparingly used. A year ago the court came within an ace of holding that a refusal by the panel to grant the Guinness company an adjournment of a hearing was an infringement of a rule in the City's Code on Takeovers. Since the panel had weighed all the factors for and against granting an adjournment the court held there was no procedural irregularity.

Now the High Court has extended its powers of review to the Advertising Standards Authority (ASA), and quashed an ASA decision. The ASA is a company limited by guarantee whose prime object is to promote and enforce the highest standards of advertising. It has supervised a code of advertising practice since 1961. The code describes itself as the body of rules by which British advertisers have agreed to regulate their conduct. The overriding provision is that advertisements should be "legal, decent, honest and truthful."

The ASA acts as an investigating body dealing with complaints of breaches of the code. A member of the authority's staff conducts an initial scrutiny of the complaint to see whether it is of sufficient substance to warrant investigation. If investigation is undertaken, the advertiser is informed of the complaint and invited to comment.

A report is prepared by a member of staff, which may contain a recommendation to place before the council of the ASA which is alone the adjudicator. If the complaint is upheld, the proprietors of newspapers and other media have voluntarily undertaken not to accept advertisements thought to be in breach of the code, if unamended to meet the ASA's requirements for compliance. Unlike the Takeover Panel there is no appeal.

Is the ASA, a self-regulatory agency of the advertising industry, susceptible to judicial review? Not unnaturally the High Court relied on the earlier decisions relating to the Takeover Panel which is an unincorporated association whose members are appointed by and represent many of the most influential associations and financial institutions in the City of London.

It too possesses no legal powers. Nor is it in contractual relationship with those whose conduct is being supervised. Its function is to ensure compliance with the City's code, which does confer certain powers on it, subject to the framework of the law which gives statutory powers to the Trade and Industry Department in the last resort to control takeovers.

The ASA also has no powers given by the Common Law or by statute. Nor does it have contractual relationships with advertisers. Its activities are controlled by a board of management which consists of an independent chairman unconnected with the advertising business, five independent members and five members from the advertising industry.

Quite apart from the common features of the two bodies, the one characteristic that sealed the issue in favour of judicial review of the ASA is the exercise of a public function. If the ASA did not exist there would undoubtedly be intervention from government in the regulation of advertising through the Director General of Fair Trading.

Under the wider legal framework of EC directives and the Misleading Advertisements Regulations of 1988 implementing the European directive regulations, the director general may use certain powers, but only if he is not satisfied that a complaint to the ASA has produced a satisfactory result. On a recent occasion the director general used such powers.

The authority had decided that an advertisement for a product was misleading in several respects. The company which marketed the products nevertheless continued to publish advertisements in the same form. The director general successfully sought an interlocutory injunction in the courts to restrain the continued publication of the offending advertisements.

*Which body performing simi*lar functions in the business of adjudicating on complaints by the public can now safely claim to be outside the clutches of judicial review? One which springs instantly to mind is *the Press Council*, now eagerly reviewing its role and function in order to avoid government intervention. It too forms part of the growing complaints industry which potentially comes within the purview of *judicial surveillance*.

The only limit on the courts' overseeing of such bodies is where the function of the organisation is strictly private. But many private bodies, such as sports organisations, are *becoming increasingly* the objects of acute public interest in the conduct of their sports. There are signs that the courts are throwing off their self-restraint in this area.

Once the courts show willingness to intervene, the standards of conduct of bodies at risk of judicial review tend markedly to improve. Even the threat of judicial review averts its actuality. There are in effect no limits to the power of review by the courts where review is perceived to be publicly necessary.